

Asia	Sch 70	Indonesia	Rp 2500	Philippines	Ps 20
Bahamas	Bs 1.50	Israel	₪ 1.50	S. Korea	₩ 8.00
Belgium	Bfr 36	Italy	L 1500	S. Africa	R 6.00
Canada	C\$ 1.00	Japan	¥ 150	Singapore	S\$ 1.00
Denmark	Dkr 4.66	Malaysia	RM 1.00	Spain	Ptas 175
France	F 6.55	Thailand	฿ 20	Switzerland	Sfr 2.20
Germany	DM 1.36	Taiwan	T\$ 20	U.K.	£ 1.00
Greece	Dr 340	West Germany	DM 1.36	U.S.A.	\$ 1.00
Hong Kong	H\$ 7.80	Netherlands	ƒ 2.20		
India	Rs 15	Norway	Nkr 1.00		

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,980

Tuesday July 15 1986

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World news Business summary

Israeli jets bomb mountain villages

Four people were reported dead after Israeli jets bombed Palestinian bases in Druze-held villages in the mountains near Beirut. Two Palestinians and two Druze fighters were killed, according to Druze radio, but Palestinians put the toll at only one dead and 12 injured, including a five-year-old Lebanese boy. Page 4

Court surrounded

Armed police surrounded a British court as a preliminary hearing began against Nezar Hindawi, a Jordanian journalist charged with trying to blow up an El Al airliner in London in April. Page 2

Banker resigns

Israel Discount Bank chief Raphael Reznant resigned, ending a three-month battle to keep his job after an inquiry into a shares scandal called on him to step down. Page 2

Thatcher for Moscow

British Prime Minister Mrs Margaret Thatcher is to visit Moscow on a date to be arranged, it was announced after she met Soviet Foreign Minister Eduard Shevardnadze in London. Page 24

Down to earth

Soviet cosmonaut Leonid Kizim and Vladimir Soloviy will return to earth tomorrow after four months in space. Their newspaper announced. Page 2

Portuguese bombs

Two people died in an explosion at a block of flats in Lisbon as a bombing wave by suspected left-wing terrorists hit Portugal. Page 2

New Dutch Cabinet

Dutch Premier Ruud Lubbers named a new Christian Democratic-Liberal Cabinet of 14 members which meet and announced that its priority would be a cut in unemployment. Page 3

New Hanoi leader

The Vietnamese Communist Party elected the country's 89-year-old President Truong Chinh as its leader to succeed Le Duan, who died last Thursday. Page 2

Sri Lanka toll

Eighteen Tamil guerrillas and six soldiers were killed in fighting in Sri Lanka's north-western Mannar district, a military spokesman said. Page 2

Typhoon kills 90

At least 90 people were killed and more than 700 injured when Typhoon Peggy hit the Chinese mainland on Friday, according to a Hong Kong Chinese newspaper. Page 2

Guinness withdraws Distillers board plan

GUINNESS, UK brewing and retail group, announced that Sir Thomas Risk, the Governor of the Bank of Scotland, would not become non-executive chairman of a new joint board as proposed at the time of its successful bid for Distillers earlier in the year. Page 25

J. P. Morgan parent of Morgan Guaranty Trust

J. P. MORGAN, parent of Morgan Guaranty Trust, began the second quarter reporting season for the major US money centre banks by announcing a 50.8 per cent jump in net earnings to \$257m for the three months to end-June. Page 25

COFFEES prices rise further in London

COFFEES prices rose further in London on concern about dry weather in Brazil. The September position closed 670 up at £1,873.50 a tonne. Page 38

WALL STREET: Dow Jones industrial average

WALL STREET: At 3pm, the Dow Jones industrial average was down 23.77 at 1,797.88. Page 46

LONDON equities and gilts

LONDON equities and gilts and the FT Ordinary index ended 27.4 lower at 1,309.9. Page 46

TOKYO prices rise sharply

TOKYO prices rose sharply in heavy trading and the Nikkei stock average closed at a record 17,820.56. Page 46

DOLLAR fell in London

DOLLAR fell in London to DM 2.1795 (DM 2.1880); SF 1.7790 (SF 1.7880); FF 1.0100 (FF 1.0225); and Y180.25 (Y181.35). On Bank of England figures the dollar's index was unchanged at 113.9. Page 39

STERLING fell in London

STERLING fell in London to \$1.4815 (\$1.5050); SF 2.6350 (SF 2.6800); FF 10.5850 (FF 10.5875); DM 3.2275 (DM 3.2025); and Y237.50 (Y242.75). The pound's exchange rate index fell 0.5 to 73.4. Page 39

Wall St, London and £ tumble as oil prices skid

BY GEORGE GRAHAM AND LUCY KELLAWAY IN LONDON

OIL PRICES continued to slide yesterday and drove sterling into a tailspin. The pound fell 0.4 pence to reach its lowest level against the D-Mark since February, pushing earlier hopes of an imminent cut in UK interest rates into the background.

Gilt-edged UK government securities suffered from sterling's weakness, and the mood of despondency spread to the equity market. London share prices tumbled, their fall accelerated as Wall Street once again opened weakly.

The US markets fell back in response to poor results from IBM. The Dow Jones industrial average dropped below 1,800 for the first time since May as the computer manufacturer reported second-quarter earnings 7.8 per cent lower than in the corresponding period last year.

At the close, the Dow Jones Industrial Average was down 27.98 at 1,793.85. The price of North Sea oil fell to its lowest level ever yesterday, with Brent sales for August delivery reported at \$9 a barrel, 50 cents lower than on Friday, while cargoes for immediate delivery were sold for as little as \$8.80.

Yesterday's movement extended the steady downward drift in prices since Opec failed to agree on individual members' quotas two weeks ago. Since then North Sea prices have fallen by over \$2 a barrel, while the price of Dubai Fateh has

fallen further to touch \$7.60 yesterday. Underlying the fall in prices is the recent surge in oil production by both Opec and non-Opec members. Opec producers are currently selling up to 10.5bn barrels a day (b/d), nearly 2m b/d more than the 17.5m b/d ceiling agreed by a majority of Opec ministers last month in Brioni, and contributing to a pound surplus of oil estimated to be increasing at between 2m and 3m barrels a day.

The latest drop in the oil price has led many analysts and oil companies to reconsider their short-term price forecasts, so that many now expect further weakness. One trader from a large oil company said yesterday: "There is only one thing that will turn the market round, and that is a proper agreement between producers." But he added that the market holds out little hope that any such agreement will be reached when Opec members reconvene in Geneva at the end of this month.

By contrast to the market's doubts, Mr Alhaj Rihwani Lukman, the Opec conference president and the Nigerian Oil Minister, said over the weekend that there was a "reasonable" chance that agreement would be reached in Geneva on production-sharing between the 13 member-countries. The depressed price of oil would encourage "positive results" from the meeting, he said.

The drop through the psychological barrier of \$10 a barrel has reawakened the financial markets' anxieties about sterling's vulnerability to lower oil prices. Since his budget in March, Mr Nigel Lawson, Britain's Chancellor of the Exchequer, has been at pains to point out that the perception of the pound as a petro-currency was exaggerated, since North Sea oil and gas accounted in 1985 for only 5 to 6 per cent of UK national income.

Investors appeared to have accepted this message, and sterling remained relatively buoyant - supported by much higher interest rates than other major nations. Even after dropping 2.1 points in the last three trading days, the Bank of England's trade-weighted sterling index still stood at 73.4 yesterday only 0.7 per cent lower than its average in 1985. Oil prices, meanwhile, have fallen by 86 per cent.

Warries have resurfaced, however, over the immediate effect of lower oil prices on the UK's balance of payments. Many analysts now expect the drop in the value of North Sea oil exports to have sent

Continued on Page 24
Analysis, Page 15; money markets, Page 39; commodities, Page 38

Eta car bomb kills 8 in Madrid

By Tom Burns in Madrid

THE BASQUE separatist organisation Eta detonated a car bomb in Madrid yesterday, killing eight members of the Civil Guard police corps and injuring more than 40 people, including several passers-by.

The attack came on the eve of parliament reopening following the general elections last month, and a day after officials revealed that an alleged Eta leader had been deported from France, where he had been serving a prison sentence, and had been confined to Gabon in West Africa.

The target was a bus carrying young guardsmen belonging to the Civil Guard's traffic school. It was on a routine early morning trip to the city's outskirts where the men are trained.

Police estimated that the bus was hit by 400 pounds of explosives, nuts, bolts and bicycle chains which had been stored in a parked van and which was detonated by remote control. A second bus, also carrying guardsmen, narrowly escaped the full impact of the blast, but at least four bystanders, including a road sweeper, were seriously injured.

The bombing was a replica of earlier attacks by Eta in Madrid. At the end of April, five guardsmen were returning from overnight duty at embassies were killed by a car bomb, and last September, when a car bomb device was employed by Eta for the first time in Madrid, 20 guardsmen were injured and a passer-by was killed.

The attack appeared to be designed to coincide with the start of a week which has a busy programme of political activities. The new parliament, elected in the June 22 polls, meets today to choose a speaker and other officers of the legislature. Once parliament is formally constituted, King Juan Carlos holds consultations with the leaders of political parties aimed at selecting a candidate for Prime Minister.

The blast also came on the heels of a key development prompted by the French Government which resulted in the expulsion to Gabon on Saturday of Mr Domingo Irujo, better known as "Txomin", a man held to be the leader of Eta.

"Txomin" Irujo was arrested shortly after the April car bomb and was due to be released at the end of last week after serving a short sentence for violating residency requirements. At the request of the Spanish authorities, he had been confined north of the Loire river, well away from the frontier, the French Basque country zone which has been a traditional safe

Continued on Page 24

Mitterrand 'no' to decree on privatisation

BY DAVID HOUSEGO IN PARIS

THE FRENCH Government's privatisation programme received a serious setback yesterday when President Francois Mitterrand announced that he would not sign the decree to give it legal effect.

Mr Mitterrand chose his traditional Bastille Day broadcast to provoke the first serious clash with the Government of Mr Jacques Chirac, the Prime Minister, since the right's victory in the legislative elections in March ushered in France's first experience in "cohabitation".

Until now Mr Mitterrand has gone no further than verbal rebukes and challenging some of the Prime Minister's appointments. Mr Mitterrand said he would not sign the decree because it provided "insufficient guarantees that the 65 nationalised groups to be privatised would not find themselves tomorrow in the hands of foreigners." He described his refusal as "a question of conscience".

The President's decision leaves the Government with the choice of either pushing the privatisation decrees through parliament in the shape of a new law or risking an all-out confrontation with Mr Mitterrand by resigning so as to provoke fresh legislative elections.

Under the French constitution Mr Mitterrand has the right to refuse to sign decrees, which are used by governments as a way of short-cutting parliament to accelerate legislation. He can only delay laws

Continued on Page 24

IBM warns on earnings after second-quarter slide

BY ADRIAN DICKS IN NEW YORK

IBM, the world's largest computer group, said yesterday that its second-quarter earnings had fallen by 7.8 per cent from \$1.41bn to \$1.31bn, despite an increase in sales of roughly the same percentage from \$11.43bn to \$12.26bn.

The decline in IBM's earnings per share, to \$2.12 from \$2.30 in the second quarter of 1985, disappointed Wall Street. Analysts had been hoping for earnings to be maintained in the \$2.30 to \$2.40 range.

At 3pm yesterday, IBM shares had fallen \$3 to \$140. For the first half, IBM earnings fell to \$2.32bn from \$2.4bn, or from \$3.91 to \$3.77 per share. Sales advanced from \$21.2bn to \$22.5bn.

Mr John Akers, IBM chairman, said the second quarter results reflected "continuation of the business slowdown in the North American economy that began in 1985. Sluggish capital spending in North America and uncertainties about US tax reform legislation and transition rules have negatively affected our orders and shipments."

IBM chairman said that business outside North America was stronger, with capital spending generally more positive. "Without an improvement in capital spending in North America, it will be difficult to show earnings growth in 1986," Mr Akers said.

IBM reported firm demand for large processors and storage devices, despite the more uncertain outlook for business customers arising from the recent changes in US tax treatment of company outlays on plant and equipment. But Wall Street is more concerned about its personal computer business.

Last week the company announced price cuts of up to 18 per cent on some models, apparently in response to complaints from dealers that their profit margins were suffering because of the increased market share being taken by so-called "clones" - personal computers with many of the characteristics of IBM equipment and compatible with it.

US share prices, Pages 43-46

HK Land may sell foods unit

BY GORDON CRABE IN LONDON

HONGKONG LAND, the biggest property group in the British-administered territory, yesterday signalled a surprise further step in its return from near-collapse in 1983 by revealing an outline plan to spin off its large foods division to shareholders.

At the same time, it announced that Mr David Davies, who as managing director has been widely credited with devising a successful programme of asset disposals, was leaving the company after completing 2 1/2 years of a five-year term.

Mr Simon Keswick will remain as chairman both of Hongkong Land and of Jardine Matheson, its trading house associate. Mr Davies stressed last night that his departure was "not contingent" on the mooted sale of Dairy Farm, which could raise more than HK\$1bn (US\$128m). But he appeared to stop short of a full en-

forcement of the proposal, describing it as "an interesting idea" which "has to be properly researched and executed."

However, one has to recognise that one is removing from Hongkong Land a considerable amount of cash flow," he added. Dairy Farm is Hongkong Land's only significant involvement outside the property and hotels sector. It owns the Wellcome chain of 112 supermarkets in the territory and claims third place in the Australian supermarket "league" with its Franklins network of 137 outlets.

In addition Dairy Farm makes milk products and fruit drinks and is Hongkong Land's principal trading vehicle with China.

Last year, the food division contributed nearly a fifth of the group's HK\$1.78bn operating profits. At the end of December, Dairy Farm had shareholders' funds of some

Craxi snub deepens crisis for Andreotti

BY ALAN FRIEDMAN IN MILAN

RESOLUTION of Italy's 18-day-old government crisis appeared further away than ever last night after Mr Giulio Andreotti, the Christian Democrat who has been asked to form a new government, was told that the Socialist Party of caretaker Prime Minister Bettino Craxi refused to support his efforts. Mr Craxi resigned on June 27 following a parliamentary defeat.

The Socialist position, delivered to Mr Andreotti by Mr Claudio Martelli, deputy party leader, had been pre-announced last Friday. Coming on the first day of Mr Andreotti's formal round of consultations, however, it appeared to rule out the prospect of his successfully forming a new five-party ruling coalition.

Mr Martelli said after his talks with Mr Andreotti: "We listened to his proposal and then told him with great frankness that his effort lacks completely the indispensable political consensus required for it to succeed."

The Socialist deputy leader, a close aide of Mr Craxi, attacked "the presence of the Christian Democrats to determine unilaterally the timing, nature and form of a new government." The Socialists want Mr Craxi reinstated as prime minister.

The Opposition Communist Party also met Mr Andreotti yesterday and announced last night it would distance itself from his efforts "to reconstruct a five-party coalition." Mr Alessandro Natta, Communist Party secretary, said Italy needed "new solutions."

His comment was immediately

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EUROPEAN NEWS

David Marsh profiles an organisation intent on modernising its image and its way of working

Interpol takes a step out of the shadows

INTERPOL IS moving out of the shadows. The 136 nation police organisation known to the public mainly through detective novels, is turning to new technology and modern working methods to step up its fight against international crime.

The organisation, set up in Vienna in 1923 and transferred to Paris after the war, is trying to shake off the weight of six decades of tradition in more ways than one.

It is preparing for a move in two years' time from its present bunker-like headquarters at Saint Cloud, west of Paris, to a sparkling new building in the south-east metropolis of Lyons.

It is bringing in sophisticated computer and telecommunications equipment to fight cross-border crimes ranging from terrorism and narcotics to banking swindles and credit card fraud.

In line with the increasing political scrutiny over terrorism, the organisation is adopting a steadily higher profile with governments to convince its industrialised country paymasters of the usefulness of its role.

The organisation is now firmly aware that it is at the front line. The Interpol building topped by radio masts in a quiet residential street was hit by a bomb blast in May. The commando attack by France's Action Directe urban guerrilla group—which also carried out

last week's bombing at an annex of the Paris police headquarters, killing an inspector and injuring more than 30 other people—did FFR 4m to FFR 5m worth of damage.

"We have to work to preach the gospel," says Mr Raymond Kendall, the bluff 32-year-old Special Branch police officer from the UK's Scotland Yard who took over last October as Interpol's secretary general.

Mr Kendall says that political efforts to combat terrorism—given prominence by the European Community and the Tokyo summit—should not lead to alternative organisations being set up which could by-pass Interpol.

But Interpol's members, he adds, "must be prepared to accept from now on that for everything they expect from us, they should be prepared to pay for it."

Interpol is at present run on a relative shoestring. Its budget is around FFR 60m (28.68m) a year, supporting a staff of 280, of which 60 are police officers from 40 countries.

Mr Kendall stresses that Interpol's role is to provide technical services through collaboration and communication between police forces rather than to get involved in politics.

Although it hits the headlines, terrorism is at most 10 per cent of Interpol's work. Another 20 per cent is violent crime, drugs trafficking takes 30 per cent and fraud and



John Simpson (left), the US president of Interpol, and Raymond Kendall, from Britain's Special Branch, who is secretary general



economic crimes another 30 per cent.

Interpol has been hampered in the past by widely differing legal and police systems among its members. They include not only the industrialised bloc (the US, Britain, France, West Germany, Italy and shortly, Japan, bear the main funding burden with about 5 per cent of the budget each) but also countries as diverse as China, Iran, Libya, Chile and Syria.

The US alone all has backed efforts to strengthen Interpol. The organisation's president since September 1984 has been Mr John Simpson, head of the

US secret service. This elegantly tough Bostonian has been called upon by the Reagan Administration to give the organisation a more "aggressive" function allegedly lacking under the French secretary-general who, before Mr Kendall's arrival, had run Interpol's day-to-day operations continuously since 1946.

A landmark was passed in 1984 when the organisation's general assembly decided that Interpol could intervene in cases of politically motivated crime committed outside the original zone of conflict.

Previously, Interpol's Article 3, proscribing investigations into dossiers with political, military, religious or racial overtones, effectively prevented involvement in anti-terrorism activities.

Mr Simpson says that Interpol this summer has already been involved in several notifications of terrorist activity, such as the warnings given in May over bombs suspected on Cross Channel ferries. "We are doing a decent job—we will continue and get better," he says.

As an indication of how Interpol can maintain police cooperation with countries with which the West's political ties are strained, Mr Kendall says that Libya gave a "satisfactory response" to questions about the terrorist attacks on the Rome and Vienna airports earlier this year. He plans to visit Libya later this year, following up a long-standing invitation, to see how Interpol's contacts with the Libyan police can be developed.

He says: "I do not anticipate any problems."

An increasing part of Interpol's work focuses on forging contacts with banks and professional organisations which may be victims or unwitting accomplices in fraud, laundering of crime-derived funds and counterfeiting of currency.

"The difficulty is that the police cannot deal with all these matters themselves," says Mr Kendall. "So banking institutions or credit card organisations are creating special

sections to deal with this type of crime. We must have close contact with these people to make sure they are not moving too much into police areas."

Aided by a special FFR 12m budget to be spent on modernising Interpol's 10-year-old computer system, Mr Kendall is at last getting down to the long overdue task of putting the organisation's central records on to computer tape.

By the time the process is completed, Interpol's file of 2m people suspected or convicted of involvement in international crime will have been reduced by half, he says.

All the new equipment being introduced at Interpol—including word processors to speed up writing Wanted notices in Arabic, English, French and Spanish—will be transferred to Lyons.

Even though the futuristic new building exists as yet only as an architect's model, Mr Kendall hopes construction can be accelerated, allowing the move to be completed by July 1988. The FFR 120m headquarters (land is being provided free by the Lyons city council), containing extravagantly large windows, might appear a shattering target for terrorists. But the building will be surrounded by a moat, thick bushes, electronic protection devices and, under a promise already made to the mayor of Lyons, extra police reinforcements.

Japanese workers well ahead in getting on the road

BY WILLIAM DULLFORCE IN GENEVA

A SOUTH KOREAN worker in a car factory has to work nearly four times as long as his US counterpart and almost twice as long as a British car worker to earn enough to buy a car.

As far as private transport goes, however, the Japanese car worker is the best off. He has to put in only 562 hours to be able to afford a car, compared with 769 hours for his US colleague, 1,380 hours for a Briton, 1,740 hours for an Italian and 1,910 hours for a Frenchman.

The "car" in question in each case is the one most likely to be bought by a metalworker in his country.

These comparisons are contained in the latest annual survey of the purchasing power of its members' working time published by the International Metalworkers' Federation (IMF) which represents 15m workers in 70 countries.

The IMF tries to measure how long workers in different countries and different industries have to work to earn enough to buy various commodities such as food, household goods and cars.

It finds that the purchasing power of its Japanese members is broadly equivalent to those in Europe although both fall short of North American workers' purchasing power.

Some findings conflict with common assumptions. Thus, it is not the Australian or Argentine mechanical engineering worker who works the shortest time for a kilogram of medium-quality beef. The US worker

needs only 17 minutes compared with 66 minutes for the Australian and 2 hours 34 minutes for the Argentine.

Their Japanese counterpart has to put in two hours 23 minutes for his meat ration against one hour 45 minutes for the Frenchman and one hour 14 minutes for the West German.

Nor, as might be supposed, are the Japanese better off with fish. In the mechanical engineering industry a kilogram of fish costs a Japanese two hours 37 minutes of working time against one hour 20 minutes for the West German and 273 minutes for the US worker.

The Dane does best: he works only seven minutes for his kilo.

The IMF finds that the gap between South Korean and other Asian industrialised countries has widened over the past year. In the electrical industry, a Korean has to work 337 hours to afford a refrigerator compared with 176 needed by the Singaporean and 130 by the Japanese.

The newly industrialised countries in Asia have caught up with Europe in many areas. An electrical industry worker in Hong Kong needs 35 hours 15 minutes to buy an overcoat compared with 36 hours 15 minutes in Italy, 33 hours 48 minutes in Belgium and 48 hours in France.

The Briton gets away with 20 hours for his overcoat and the West German with 15 hours 15 minutes.

Help for small business promised by Commission

BY WILLIAM DAWKINS

THE EUROPEAN Commission has put forward two measures to help small businesses raise venture capital internationally and to attract risk equity to commercialise the fruits of EEC research projects.

Mr Abel Matutes, commissioner responsible for small business, has promised increased and more secure funding for the experimental Venture Consort scheme. Set up 18 months ago, the scheme provides grants of up to Ecu 30,000 (£12,000) for risk investments handled by members of the European Venture Capital Association (EVCA) on condition that the total backing come from more than one country in the Community.

Venture Consort, which limits its aid to 30 per cent of individual equity investments, has so far received Ecu 3.3m year, will provide a 50 per cent Commission department backing guarantee up to a combined total of Ecu 150m for investments in projects emerging from Community technology research programmes.

Ecu 5m in next year's budget, thereby according it full official support.

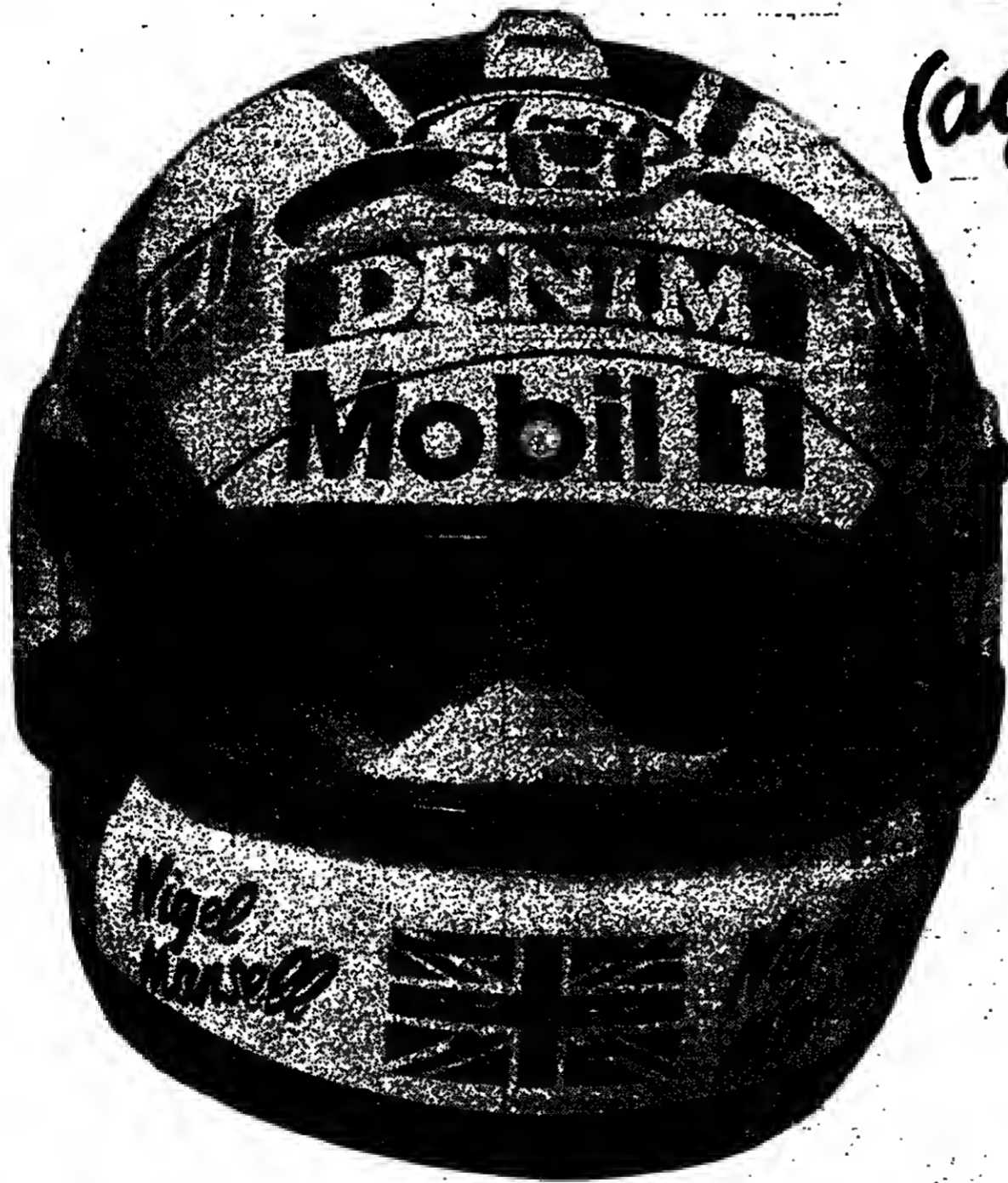
The scheme has stumbled and to attract risk equity to commercialise the fruits of EEC research projects.

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Venture Consort, which limits its aid to 30 per cent of individual equity investments, has so far received Ecu 3.3m year, will provide a 50 per cent Commission department backing guarantee up to a combined total of Ecu 150m for investments in projects emerging from Community technology research programmes.

Mr Matutes also agreed at the EVCA meeting to extend the recently announced Eurotech scheme to venture capital groups rather than restrict it to commercial banks as originally proposed. Eurotech, due to come into effect next year, will provide a 50 per cent Commission department backing guarantee up to a combined total of Ecu 150m for investments in projects emerging from Community technology research programmes.

Hats off to Nigel



(again!)

Nigel Mansell won the British Grand Prix on Sunday. He now leads the Drivers Championship and with Nelson Piquet taking a closely fought second place, the Williams team have increased their lead in the Constructors Championship.

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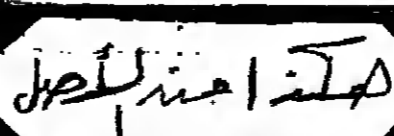
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EUROPEAN NEWS

Romania close to accord with banks on deferring debt

ROMANIA IS close to an agreement with its main commercial bank creditors that will allow it to defer some \$880m in debt repayments falling due this year and next.

Refugees from Third World worry Bonn

ALMOST 600 Third World refugees seeking political asylum arrived in West Berlin over the weekend.

Kremlin gives Nixon lukewarm reception

BY ALISON SMALE IN MOSCOW FORMER PRESIDENT Richard Nixon, who is in Moscow on what is described as a private, fact-finding visit, has found his reception from the Kremlin a little cooler than on his last trip for a summit with Mr Leonid Brezhnev in June 1974.

NOTICE OF REDEMPTION To the Holders of WESTPAC BANKING CORPORATION

Table with columns for bond numbers and amounts. Includes sub-header 'BONDS OF U.S. \$5,000 EACH'.

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WESTPAC BANKING CORPORATION Dated: July 15, 1986

Lubbers cabinet faces struggle over the budget

MR. RUUD LUBBERS, the Dutch Prime Minister, and his new cabinet sworn in yesterday face a battle against high unemployment and a growing budget deficit.

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Foreign banks angry at new squeeze by Lisbon

FOREIGN BANKS which opened in Lisbon after the liberalisation of banking in 1984 are re-examining their investment closely in the light of a decision by Mr Miguel Cabrita, the Minister of Finance, to increase to Es 2.5bn (\$11m) the minimum capital requirement, a rise of 88 per cent.

Norway floats \$400m loan

THE NORWEGIAN state has floated its first foreign loan for six years - a \$400m issue. A central bank official said "very good terms" had been obtained.

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Mr John Tvedt, of the Bank of Norway, said Norway had "plenty of liquidity" with foreign currency reserves at around Nkr 70bn, but it would need the funds later, as the effects of low world oil prices began to make themselves felt.

BET HEALTHY SERVICES advertisement featuring an image of surgical instruments and text describing services for hospitals, including support services, training, and security systems.

WORLD TRADE NEWS

Japan 'needs to speed shipbuilding reductions'

By Andrew Fisher, Shipping Correspondent

THE SURGE in the value of the yen has increased the urgency of the capacity cuts being worked out by Japan's shipbuilding industry and the Government, an official of Japan's Ministry of Transport said yesterday.

Cuts of 20 per cent in total yard capacity have been recommended by a Government advisory panel, following the worldwide slump in demand. While this should bottom out in 1988 and pick up in the 1990s, output is still likely to be well below that of the mid-1970s or early 1980s.

The Government wants the restraints recommended by the Council for Rationalisation of Shipping and Shipbuilding Industries to be implemented by the end of the 1987-88 fiscal year.

Since the yen now stands at about ¥160 to the dollar against ¥240 when the council's report was prepared last autumn, so rising Japan's export competitiveness, the capacity cuts should take place as soon as possible, said Mr Nobutaka Yamada, director of the national affairs office of the ministry's shipbuilding division.

The big shipbuilding companies will be able to cut capacity within their own yards or in co-operation with each other. But smaller yards with only one berth will find the adjustment hard. "There may be some bankruptcies," he said.

Present capacity of around 6m compensated gross registered tonnes will be lowered to just under 5m cgrt under the rationalisation plan. The exact measurement takes account of the work and skill content of ships, as well as size.

The council forecast in its report that production would fall to a low of 3.1m cgrt in 1988 from 3.3m in 1987 and 4.3m this year—in 1984, the figure was 5.5m, with 5m cgrt exceeded in the mid-1970s—then recover to reach 5.2m in 1995, before easing slightly again.

China's state-run shipbuilding industry received 13 foreign orders in the first six months of 1986, the official China Daily reported. AP-DJ reports from Hong Kong.

The English-language newspaper said the orders worth \$1.8bn, equal to the total amount received by the industry in 1985. The vessels are to have a total deadweight of 240,000 tonnes.

Pirelli wins \$20m contract from Tunisia

By Alan Friedman in Milan

PIRELLI, the Italian tyre and cables group, has won a \$20m (£13.5m) order to supply machinery, engineering and technical assistance to Tunisia which has just opened a tyre plant built under the supervision of the Italian group.

The plant located at Misken near the city of Sousse, has productive capacity of 7,700 tonnes a year and will employ a workforce of 500. Pirelli says it has provided training personnel, technology and machinery.

The Italian group will also take a 12 per cent shareholding in the tyre plant. The other 88 per cent is controlled by the Societe Tunisienne des Industries de Pneumatiques (STIP), the state tyre company.

The Tunisian Government also owns another plant, formerly controlled by Firestone tyres, which produces 4,000 tonnes a year. The new Pirelli-built factory will increase domestic production to 80 per cent of Tunisia's requirements.

Pirelli was unable yesterday to disclose the total value of the new tyre plant, but said it would specialise in the manufacture of tyres for industrial vehicles.

Tokyo and Washington to resume aviation talks

By Carla Rapoport in Tokyo

JAPAN and the US will resume bilateral civil aviation talks in Washington tomorrow. The talks broke off in early April, following a disagreement on the increase in the number of Nippon Cargo Airlines' weekly flights to the US.

Nippon Cargo flies to the US six times a week. It is understood that the two sides have now agreed to increase this number to nine.

The US negotiators have been pressing for concessions on the number of cargo flights from the US and Japan as well as a reduction in customs procedures at Tokyo's Narita Airport for incoming cargo flights.

The US has also been seeking rights to fly on from Tokyo to other domestic Japanese airports. The Japanese have apparently agreed to the first two requests, but are adamantly opposed to granting the demand to fly on from Narita.

Japanese negotiators say that the US has softened its stand on flying beyond Tokyo. The Japanese claim the US demands would disrupt the basis of the current Japan-US aviation accord.

Christian Tyler, Trade Editor, looks at a contentious issue for the coming Gatt talks Developing countries dig in for services battle

IN THE remote Siberian town of Yakutsk, Indian films are especially popular. They are popular because few other foreign films are ever screened at the local Palace of Culture.

Yet after four years of wrangling over the question, there is a hard core of governments—India, Brazil, Argentina, Egypt and Yugoslavia—still determined to scotch the services snake by procedural means if they cannot kill it by force of numbers.

Ranged against them are the trading superpowers of the US, the EEC and Japan, who accounted for 74 per cent of world exports of services in 1984, down from 81 per cent 10 years before.

Their case for negotiating services in the Gatt rests on the fact that trade in invisibles is worth an estimated \$400bn a year, or about a quarter of all trade.

In the US, nearly three-quarters of all jobs outside agriculture and the armed forces are in the service sectors. The proportion in the more advanced developing countries ranges from 30 to more than 50 per cent, according to a recent study, and their exports have grown 27 per cent annually over the past decade.

Even so, less than 10 per cent of services output is tradeable. Greater exchange of services, it is argued, could provide the same kind of fillip to world economic growth that successive rounds of tariff cuts on industrial goods gave in three decades following World War II.

Furthermore, say the free traders, many services are inseparable from manufactures, and the service content is increasingly valuable.

There have been two main sticking points to US-led demands for a Gatt negotiation on free trade in services. The first was, and is, political: to convince a sufficient majority of nations that there would be few losers and many winners if markets were opened on the Gatt basis that a concession to one trading partner in the Gatt is a concession to all.

It has proved difficult to persuade developing countries, suspicious as they are of western multinationals, that

the next Gatt negotiating round is due to be launched by trade ministers at Punta del Este, Uruguay, in two months' time.

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rounds of tariff cuts on industrial goods gave in three decades following World War II. Furthermore, say the free traders, many services are inseparable from manufactures, and the service content is increasingly valuable. There have been two main sticking points to US-led demands for a Gatt negotiation on free trade in services. The first was, and is, political: to convince a sufficient majority of nations that there would be few losers and many winners if markets were opened on the Gatt basis that a concession to one trading partner in the Gatt is a concession to all. It has proved difficult to persuade developing countries, suspicious as they are of western multinationals, that

they stand to gain from liberalisation. Some would undoubtedly suffer a temporary balance of payments loss. Others, like India and South Korea who are big exporters of construction services, for example, should gain.

Some economists insist that countries that refuse to buy services from abroad will retard, not advance, their own development, although they accept the merits of the case for protecting "infant industries."

But in Brazil, for example, helping or hindering her export potential — so necessary for servicing a huge external debt — by sheltering her young information technology industry from US and Japanese competition?

Despite a noisy rear-guard action by important members of the Third World, such as Brazil, that still threatens to disrupt September's trade summit in Uruguay, the diplomatic battle, if not the intellectual battle, may already be won.

The second hurdle for the free traders is technical or philosophical: to imagine what kind of rules could be framed for trade in services (invisible transactions difficult to count or price) that would give effect to the Gatt principles already applied to visible and measurable goods.

A fundamental question — because it touches once more on national sovereignty — is raised here: traded goods are shipped from one country to another, but services, apart from those that can be sent down the telephone line, have to be delivered on the spot.

Gatt rules on market access for services would, it seems, have to cover the right of establishment in the customer's country and hence impinge on the country's freedom to make its own foreign investment rules.

Despite these and other difficulties, ways of tackling a negotiation have been outlined by experts in the organisation for Economic Development and Co-operation in Paris, the EEC Commission in Brussels and the secretariat of the Gatt and Unctad in Geneva.

One idea is that all barriers to trade in services should first be catalogued, then divided into those that affect trade and those that do not.

Definitions would have to be drafted as to what kinds of protection were "appropriate" — that is, crucial to national sovereignty.

Trading partners would then argue about which of each country's barriers were legitimate, and which protectionist. Only at this stage would the process of negotiating mutual concessions (automatically extended to all Gatt members) begin.

In other words, the first stage would be to search for a system of rules. Only then would markets begin to open. According to its proponents, the first stage should be obligatory, but the second would be voluntary.

Unless the Punta del Este meeting collapses in complete disarray, some variant of this "negotiate now, give later" proposal could be adopted.

If new rules cannot be drawn up, at least a code might result — a "General Understanding on Trade in Services."

"Gats," as it is already being called by some, would open a new chapter in the 40-year history of the Gatt. But it would not of course put six films on show in Yakutsk.

* Trade in services, and the developing countries; Jeffrey J. Schott & Jacqueline Maza, Journal of World Trade Law.

Turkey and US in textiles agreement

By David Barford in Ankara

TURKEY and the US have signed a "memorandum of understanding" which should make possible increased Turkish textile exports to the US.

The US Administration has been under conflicting pressures from US textile manufacturers and the Turkish Government, a key North Atlantic Treaty Organisation ally in the Middle East, over Turkey's rapidly growing textile exports.

Last year the US bought 96.8m square yards of textiles from Turkey for about \$121m (£78m).

Total textile exports from Turkey last year were about \$2.3bn. The speed of which the country's textiles industry is growing has alarmed producers in many advanced industrial countries.

Last April, however, Turkey reached agreement with the EEC on a set of voluntary restrictions on its textile exports. It now looks as if a similar arrangement may be worked out with the US whereby Turkish producers will be allowed to expand their share of the market by a relatively gradual amount each year. It is believed the "memorandum of understanding" allows annual growth of about 12 to 15 per cent in Turkish textile exports to the US.

India to buy Soviet aircraft

By K. K. Sharma in New Delhi

THE Soviet Union has agreed to sell India two squadrons of its latest Mig-29 fighter. The aircraft will be made under licence at Hindustan Aeronautics plant which is already manufacturing earlier types of Migs.

India will be the first country outside the Soviet Union to operate the aircraft. Mig-29s are the Indian Air Force's principal aircraft. An advance version of the Mig-21 was built by the government-owned Hindustan Aeronautics, after which the Indian Air Force acquired the Mig-23 and Mig-25. It also has an option to buy the Mig-27, but this is unlikely to be exercised in view of the Mig-29 deal.

The Mig-29, codenamed Fulcrum, is fitted with advanced radar, enabling it to operate day and night and in all weathers.

India has already acquired 40 Mirage 2000 fighters from France and it recently signed an agreement to buy more. It has also bought Jaguars from Britain and this aircraft is being assembled by Hindustan Aeronautics in Bangalore.

India is also developing its own light combat aircraft which it hopes to commission in the 1990s.

Investment in Portugal falls

By Diana Smith in Lisbon

NEW DIRECT foreign investment in Portugal fell to Es 186m (£28.2m) in the first half of 1986, against Es 151m in the corresponding period of the previous year. This is the first drop in many years and comes at a time when Portugal is attracting growing foreign investment as a new EEC member.

In Spain foreign investment grew by 28 per cent in the first half of this year.

Much of the problem appears to stem from Portugal's slowness in publishing the new foreign investment code that gradually reduces restrictions on foreign investment and adapts its procedures to the Treaty of Rome.

Singapore and Canada to resume aviation talks

By Singapore Press

SINGAPORE and Canadian officials met last week to discuss ways to amend the bilateral air services agreement with Canada, the civil aviation authority of Singapore announced, AP reports from Singapore.

Singapore and Canadian officials met last week to discuss ways to amend the bilateral air services agreement with Canada, the civil aviation authority of Singapore announced, AP reports from Singapore.

Singapore has placed no restrictions on Air Canada or Canadian Pacific Airlines' services to Singapore and beyond.

Singapore proposed modifications to the agreement which will remove the current restrictions placed on Singapore Airlines, so as to provide for fair and equal opportunities for the airlines of both countries. In addition, the proposal would provide greater opportunities for the airlines. Canada was not prepared to accept these modifications.

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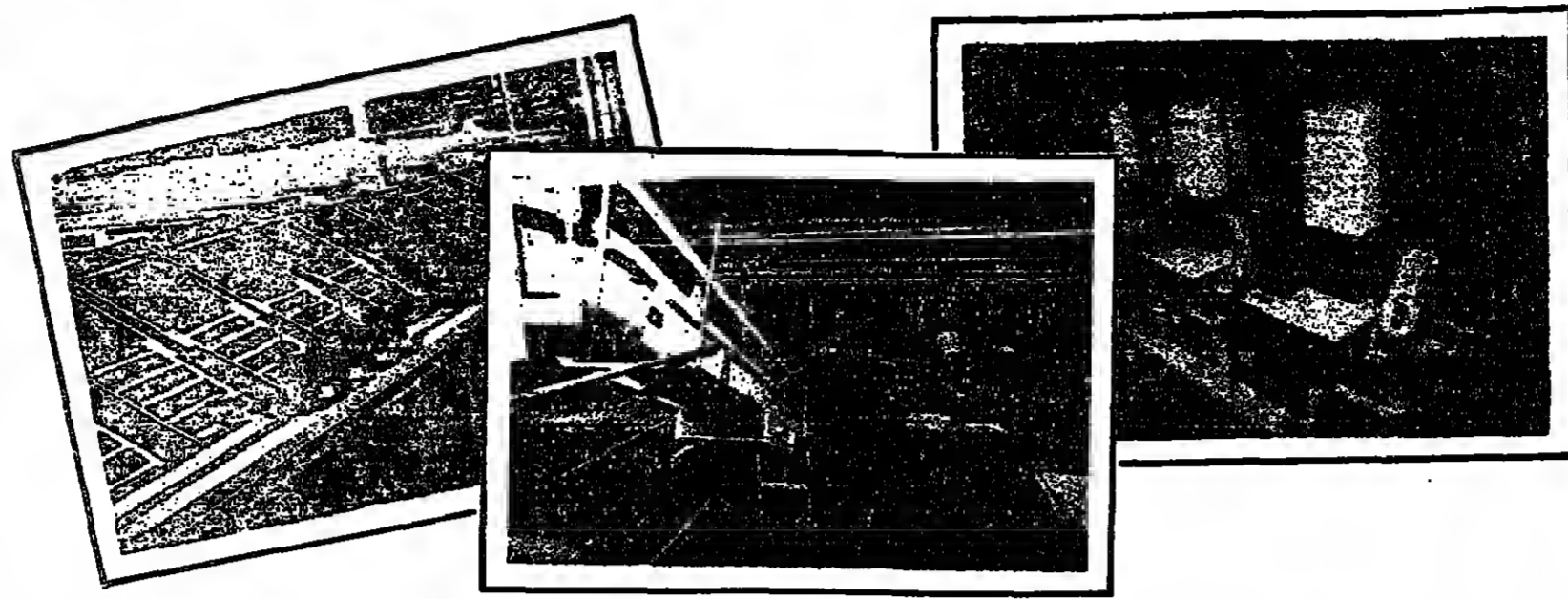
TWO YEARS ago the top management of Electrolux US, the American vacuum cleaner concern hired off 18 years ago by the European group of the same name, set itself a simple but extremely ambitious challenge. After virtually 60 years of concentrating on canister vacuum cleaner manufacturing, it decided to attack the growing market for upright models. Its target was to make an upright at a price that would open up the prospect of large volume sales while sacrificing none of the company's hard-won reputation for high quality products.

Today, as orders for the new cleaner, the Discovery 11, roll in at a rate far exceeding the company's present ability to produce, the management claims that it has largely met its objectives. Executives say that in terms of quality the new cleaner matches anything the company has ever produced. Yet it retails at only \$299, about \$200 less than Electrolux would have expected to have sold it under the cost structure of its traditional manufacturing regime.

To achieve this sharp reduction in costs has demanded a level of automation which the company claims is unparalleled in the US industry. "If we had produced this model by traditional means, our manufacturing costs would probably have been twice as high," says Mr Dave Jones, the plant manager at the group's Bristol plant in Virginia. "On employment costs alone, this product demands less than half the amount of labour that is required to build comparable products."

The production line for the Discovery 11 employs approximately 50 people in total and is virtually a self-contained entity. Plastic in the form of resins flows out of bins at one end of the process, and is injected into moulds to produce components, which are then passed along by a series of robots for trimming, stamping and finishing. These parts are subsequently transported to a central warehousing buffer zone by a fleet of five automated guided vehicles, and finally dispatched to the assembly line, where another battery of robots helps operators to glue and screw them together. The decision to opt for a comprehensive in-house production line was made early on in the planning stage, says Mr Homer Moeller, head of manufacturing, because Electrolux believed it would have better control over quality if it limited the use of outside suppliers.

Deciding on this route also meant, of course, that the company was forced to control costs inside the plant rather than by pushing the problem off onto sub-contractors. Among the ways



LEFT: Assembly is on individual pallets. Plastic parts are called up from the material handling system and delivered to the line via a conveyor. CENTRE: An overview of the nonsynchronous palletized line. RIGHT: Discovery 11s on the last leg of their journey through Electrolux's automated plant in Bristol Virginia

The cleaner that swept the factory floor

It has achieved these cost reductions are:

- Lower inventory levels. The entire production line is aimed at running with virtually no excess work-in-progress. Indeed, if any of the machines started throwing up substantial defects, the next ones down the line would grind to a halt—a big incentive to producing to the right quality.

As a matter of policy, the Bristol plant stocks an average of only three days' supply of parts—and some may be held for as little as four hours. This compares to the 20 days' average supply level the plant used to hold on its traditional manufacturing lines, and means that around \$4m has been taken out of stocks.

- The use of plastic. Electrolux decided to move to plastic because "it is cheaper as a raw material, easier to process and requires less labour," says Mr Jones. Moulded plastic parts are inherently more precisely formed than the steel stampings that Electrolux used previously in its cleaners.

- Electronic controls. Moulding technology is progressing by leaps and bounds at present, says Mr Jones, and one of the keys to this progress is the standard of the software governing the moulding machines. It is vital, for example, to apply exactly the correct amount of heat to produce parts that will not crack and break.

Using vacuum feeding processes, which ensure that virtually pure resins are fed into the machines because they come through a sealed, automatically monitored system, Electrolux reckons that it is



achieving almost immediate gains. "The entire investment in the silos and the vacuum feeding system was paid for in seven months from the reductions in materials and operational costs," says Mr Jones.

- Robots. One example of robot technology in the plant is a component production cell

where a robot moves parts into and out of large injection moulding machines. This runs for a full three shifts a day, and does the job of three operators who would have been paid around \$25,000 each a year. Thus, on a \$100,000 investment, the robot is expected to have paid for itself in reduced costs in a little over a year. The basic structure of the machine was bought from Cincinnati Milacron off the shelf, says Mr Jones, although special tooling was added at a cost of around \$10,000.

The plant also contains some more specialised robot applications. On the assembly line, for example, is a small robot which applies glue to a part that has to be stuck together to form a perfect vacuum seal. Made by Panasonic of Japan, the machine moves through an elaborate curve, squirting out glue with far greater precision than could ever be achieved manually.

In another up-to-the-minute application, Electrolux is making use of vision technology in the moulding area, with a machine that runs checks on the names imprinted on the cleaner by matching the printed shape against a memorised image.

- Materials handling. The moulding machines are served by computer-controlled automated guided vehicles (AGVs) which jockey parts around the

system and into the storage area in large bar-coded storage bins.

On the assembly line, the company has abandoned its former carousel system of delivering parts to operators in

ELECTROLUX

The US company launches attack on the upright vacuum cleaner market.

Terry Dodsworth, in New York, on how automation allowed quality and cost targets to be met.

favour of a powered conveyor line working on a nonsynchronous basis. This demands much less inventory in the system, and allows workers and robots to work in a stationary position, only passing parts on when they are satisfied that there are no defects in them. From beginning to end of the

process of planning and installing the Discovery 11 line took Electrolux only around 16 months. This smooth transition was probably due partly to the modest size of the investment in the new processes—Electrolux's total expenditure on the Discovery 11 amounted to about \$5m against the \$16m being spent on upgrading the Bristol facility. But the group also planned the changes meticulously.

First of all, top management decided right at the beginning to bring in a new team of manufacturing experts. Traditionally a marketing-driven company—it still sells through a team of 28,000 direct door-to-door salesmen—the company realised that it needed new manufacturing skills and sought them out in General Electric's domestic appliances division. Both Mr Moeller and Mr Jones came from GE's dishwasher plant, where they had used similar plastics technology and production lines.

Second, the company has not been afraid to add costs heavily in the professional services and engineering field. The numbers of specialists in the planning and control area has more than doubled to almost 90 since the new product was planned.

Third, rigorous standards on the equipment brought into the plant have been imposed on suppliers. Using principles

employed at GE, the internal Electrolux engineering staff has developed the general concepts of the production lines, working out rough costings, and then gone with its plans to specialized engineering suppliers.

None of these companies makes anything. They each specialise in potting systems together using machines bought from a variety of suppliers. "These guys are small, very dynamic and flexible, and they have a lot of engineering talent that can react very quickly," says Mr Jones. They were asked to assemble the new equipment in their own facilities and take out all the bugs before shipping it to Electrolux.

This debugging technique works particularly well, according to Mr Jones, on the assembly line, which was up and running at full production within three weeks of the first piece of equipment being moved into the plant. "We designed the line to achieve 90 per cent uptime, but we reached 95 per cent within five weeks," he says. Normally he would have expected to have taken between three and four months to arrive at the same point.

Already, just a few weeks after the market launch of the Discovery 11, Electrolux is working on a substantial expansion. The line was planned for a maximum capacity of 1,000 machines a day, and commissioned at a rate of 750. But the management is now scaling up to go to 2,500 a day in August by adding more moulding cells, extra robots on the assembly lines, and moving to two shifts in the assembly area.

The reason for this expansion is the high level of demand created by the new model. Electrolux has traditionally aimed at a premium market for cleaners in the \$400 to \$600 range, and on its previous attempt to enter the upright market in the late 1970s, it produced a product that proved to be too heavy and too expensive at almost \$500. The new \$300 machine has taken the company into a higher volume sector of the market—and into a different competitive ball game. It shows, says Mr Moeller, "what a compelling weapon a strong manufacturing system can be."

● Previous articles in this series:

- May 28: Swatch, Swiss watch maker.
- June 3: Hoover, British domestic appliance manufacturer.
- June 17: VEGA Motoren, Dutch remanufacturer of car engines.
- July 8: Bellot, French flour miller.

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Knowledge bank for air traffic controllers

By Geoffrey Charlisk
 AIR TRAFFIC control by the 1990s will probably benefit from the use of intelligent knowledge-based systems (IKBS) used "on-line" to assist the controllers in their work. These are computer systems that are able to store and make intelligent use of the specialised human knowledge in the same way that a human being would.

Logica, the UK software systems house, has just completed a study for the Civil Aviation Authority which indicates that new and sophisticated computer aids will be needed to cope with the increased number of aircraft in the coming years.

UK spending on office automation

OFFICE AUTOMATION Guide, 1985, has been published by Wharton Information Systems, Twickenham, UK (01-891 6197) and its review of 1985 shows that the average company budget for office automation was only £100,000.

Most firms (65 per cent) are spending the money on personal computers and computer terminals (45 per cent). But 20 per cent are spending at least some of the money on local area networks, dedicated word processors and/or office automation systems.

Electronic typewriters and internal-only phone exchanges were the lowest priority—some 25 per cent of the respondents plan to spend some money in this area.

DGZ in 1985 Strong Resources in Wholesale Banking

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The company which is not in receivership, is offered for sale by the receiver of its holding company, G.M. Pearson & Son Limited.

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No. 000143 of 1986
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CHANCERY DIVISION
IN THE MATTER OF
WINDSLEY plc
AND IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 18th June 1986 confirming the cancellation of the sum standing to the credit of the Share Premium Account of the above-named Company as at 23rd April 1986 was registered by the Registrar of Companies on 4th July 1986.
Dated this 8th day of July 1986.
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London WC2E 9JT,
Agents for
RYLAND MARTINEAU & CO.,
41 Church Street,
Birmingham B3 2DY,
Solicitors for the above-named Company.

Art Galleries

Two directors have been appointed to the board of MCKENZIE BROTHERS. They are Mr John Kenbery and Mr Stuart Moberley, who have both been with the group since 1961. Mr Kenbery will continue in his executive duties in the metals

APPOINTMENTS

British-American Tobacco Co chief



Mr W. J. Dickson, managing director of British-American Tobacco Co

Mr W. J. Dickson has been appointed managing director of BRITISH-AMERICAN TOBACCO COMPANY. Mr E. A. A. Bruell, who previously held the position of chairman and managing director, continues as chairman. Mr R. S. Hartley has also joined the board. British-American Tobacco Company is a member of the B.A.T. Industries Group.

At W. CANNING Mr David Probert has become executive chairman. He succeeds Mr F. J. Essex, who has relinquished the office of non-executive chairman but remains as a non-executive director. Mr Probert has been chief executive since 1978. He is also non-executive deputy chairman of the Crown Agents and a non-executive member of the board of Associated Steel Distributors and Linpac.

Mr Jim Cleary has been appointed chief executive of TIP-EUROPE—the new parent of all TIP companies in Europe—following the purchase of the company from Geico Corporation (USA). Mr Cleary was executive vice president of TIP Inc. in Bala Cynwyd, Pennsylvania.

Mr Rodney F. Hall, a director of Investors in Industry, and Mr J. Richard Gawthorne, a director of Prudential Portfolio Managers, have been appointed non-executive directors of the company formed for the management buyout of GOMME HOLDINGS, shortly to be renamed Gomme Ltd.

Mr Dennis Blair has joined THE CHASE MANHATTAN BANK, NA, as managing director in London of its new index fund and hedging group. Mr Blair will be responsible for the development and marketing of specialist investment services, with particular emphasis on a range of specialised index funds and implementation of protective hedging techniques in the UK. Prior to joining Chase, Mr Blair was managing director of Welbeck Pension Services, part of the Burton Group.

SIPHER DESIGNS (ELECTRONICS) has appointed Mr James MEN. Ure its technology director. He joins Sipher after a period in management consultancy.

Mr Ray Ames has been appointed to the board of MANDERS (HOLDINGS) as a non-executive director. He is an executive director of IMI and chairman of Marston Palmer, a member of the IMI group.

Two directors have been appointed to the board of MCKENZIE BROTHERS. They are Mr John Kenbery and Mr Stuart Moberley, who have both been with the group since 1961. Mr Kenbery will continue in his executive duties in the metals

KANSALLIS - OSAGE-PANKKI. Finlay's international bank has reshaped its management structure. Mr David Herd, Mr Brian Alderson, Mr Michael Phillips and Mr Ross Pinner senior managers in charge of, respectively, project finance; operations; foreign exchange and money markets; and credits and marketing—are all appointed assistant general managers. Mr Brian Alderson, manager, specialised credits, becomes senior manager, UK banking, with additional responsibilities covering property lending. UK commercial banking and UK major corporates. Mr Joachim Helms, manager capital markets, is also appointed senior manager, and retaining his current responsibilities. Both he and Mr Alderson join the branch management committee.

Mr John Draper and Mr Chris Evans have been appointed associate directors of CHELTEN FINANCIAL SERVICES. Mr E. J. S. Garrett and Mr A. H. M. Fretter have been appointed directors of WILLIS FABER & DUMAS.

Mr Harry Armstrong has retired as chairman of BANKSIDE UNDERWRITING AGENCIES and the Lloyd's underwriting agency companies of Bankside Syndicates and Bankside Members Agency, but will remain a non-executive director of the companies. The new chairman is Mr Derek Bigger, who retains his role as managing director.

Following the appointment of Mr David Grimes as commercial director of CELESTEC, Mr E. Berriman and Mr N. A. Holstey have been appointed sales director and marketing director respectively. Mr Berriman pre-

viously general manager of Celltech's culture products division, will be responsible for all Celltech's existing contracts and products. Mr Holstey, previously director of Healthcare marketing, continues to be responsible for development and marketing of Celltech's new human therapeutic products.

Partners at Peat Marwick

PEAT MARWICK has appointed the following as partners: Mr Mike J. Russell (Birmingham); Mr Peter Terry (Manchester); Mr Brian C. May (Leicester); Mr James W. Conway, Mr Peter E. Gale, Mr Ian K. Huntington, Mr Alastair D. E. Johnston, Mr Richard O. B. Paterson, Mr Charles E. Tiley, Mr Phil W. Wallace (London); Mr Graham O. Winter (London MCF); Mr Keith Nicholson (Maidstone); Mr Peter Terry (Manchester); Mr Robert A. Allison (Milton Keynes); Mr Chris D. Gilhat (Nottingham); and Mr John M. Jenkins (Reading).

SOAG MACHINERY, a member of the Hunter Douglas Group, has made management changes. Mr D. A. Vaughan becomes managing director to succeed Mr P. Flatter who retires. Mr Vaughan was sales director, machine tool division. Mr E. Caddick has been made commercial director (designate) to succeed Mr L. White, finance director. Mr Caddick was previously with Gumbel, Mr H. E. Barkham, technical director, The London branch of



Mr J. E. Berriman, sales director of Celltech

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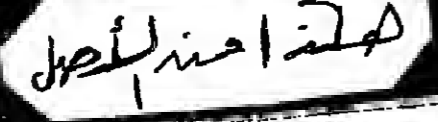
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MANAGEMENT: Small Business

EDITED BY CHRISTOPHER LORENZ

Corporate venturing

The pros and cons of mutual dependence

BY WILLIAM DAWKINS

THE production lines at Nissan's new factory in Washington, Tyne and Wear started rolling a week ago today. By the end of the year, they are expected to be churning out around 100 cars per day. But what is really remarkable is that not one of the 3,500 component parts of each vehicle will have been inspected by Nissan. "Our philosophy is to duplicate nothing, if the supplier has got his quality control right then we don't need to inspect," says Ian Gibson, the group's UK purchasing and production control director.

Nissan's deceptively laissez-faire attitude to its 30-odd European suppliers—many of them small businesses—would make most British manufacturers' hair stand on end. It seems all the more risky in view of the fact that all components—except for commodities like tyres—are single sourced.

The reason that Nissan expects to get away with it, as it has done in Japan for years, is that the car maker has an unusually close relationship with suppliers. Nobody is allowed to visit the Nissan club until they have received repeated visits from the company to check the credentials of all from the managing director to the humblest cleaner and to establish a strictly monitored internal quality control system.

This has been an unusual experience for the European businesses which will end up supplying 40 per cent of the value of Nissan's British cars by the time production gets fully under way next year. But it is also an example of a type of approach by big customers to small suppliers which—though especially well suited to the automotive industry—is being increasingly adopted by manufacturing groups across the West.

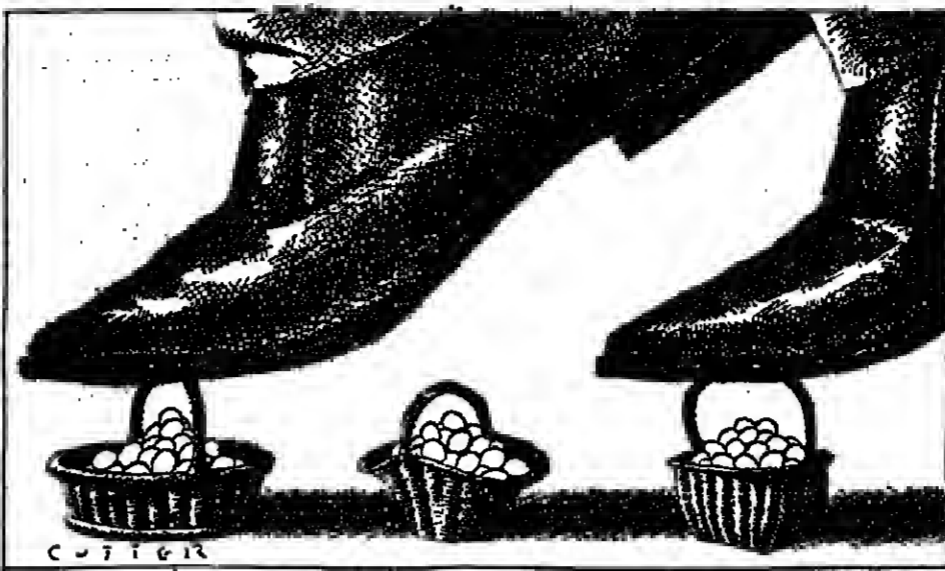
Companies ranging from IBM, the computer giant, through Vauxley Corporation, the farm equipment and industrial machinery maker, to Eaton Corporation, the US electronic and vehicle components group, are seeking to exert more influence on the way their suppliers run their own business. This, they argue, is valuable in ensuring better quality control and is a

step towards establishing a smoother workflow, with all the savings in working capital costs that implies.

"The Japanese concept of customers and suppliers being equally interdependent is something which several European companies have been trying to emulate in recent years," says Gibson. Many small suppliers (Nissan's apart) would disagree, judging by the frequency of their complaints about being underpaid and paid late by big customers.

Yet the number of large manufacturers in several sectors to have built closer bonds with favoured suppliers in the past five years or so suggests that there is at least a trend. For small businesses, the consequences are mixed: such relationships offer a chance for the lucky few to get well hitched to a powerful customer, but there is also the risk of getting over-dependent on one source of sales.

Several suppliers to have gone



C. J. TIGER

examinations two years ago. Thanks to Ford's input, many of the Japanese company's requirements were already in place when Pianoforte tendered for a contract to supply door styling strips. But Nissan did "introduce us to one or two very useful techniques," says Foley. One example is a written production log whereby machine operators record every event in the life of a particular job, especially any mistakes and remedial action. Burdensome paperwork maybe—but the log provides a useful reference work when it comes to looking for ways to improve production errors. "If something goes wrong, you just look up in the book and see what you did to put it right last time," says Foley.

"The old adversarial relationships are out of date," claims Ian Robb, director of purchasing for Rolls-Royce, the aero engine group. "Because materials and machinery are getting so specialised, we are moving much

discipline, or continuous flow manufacturing, whereby customer stock levels are kept to almost nothing. The idea is that suppliers deliver little and often, so that parts arrive just in time for assembly.

Clearly it makes sense for JIT manufacturers to deal with as few suppliers as possible. That is why, for instance, IBM UK's supplier base has steadily shrunk since it started to introduce JIT principles in 1980—down 16 per cent to 7,780 companies last year.

"In the UK, we are in the high volume, low profit end of the business. That means we don't want to deal with six suppliers where we could deal with one—and we do want them to be self-sufficient," says Ted Linsey, IBM UK's procurement manager. He emphasises, however, that the contraction has been restricted to manufacturing suppliers. Like many other big organisations, IBM is increasingly keen to subcontract services like printing or cleaning rather than perform them in-house.

Meanwhile, IBM UK's manufacturing suppliers are being constantly scrutinised by virtue of the need to pass an annual quality test. "This saves us a bomb because it means we don't have to rework faulty equipment," explains Linsey. "Once you start relying on the vendor, it saves on quality checking."

This type of approach is bad news for small businesses which get cut out as the supplier base shrinks. But it can be good news in a number of sometimes unexpected ways for anybody who can stand the pace. One company to have set particularly stringent standards for its small suppliers is Eaton Corporation's European truck components

UK business institute

New body set up in the North

BY IAN HAMILTON FAZEY

A GROUP of entrepreneurs in the north of England is proposing to form an institute to help small businessmen help each other to be better managers.

The organisation, which is being launched this month with advertising in selected trade journals, will cater for employee-managers as well as owner-managers of small businesses and will be concerned with upgrading quality. It will aim to represent its members as individuals, rather than as businesses, and it is in that sense that it will be rather like a small business version of the British Institute of Management.

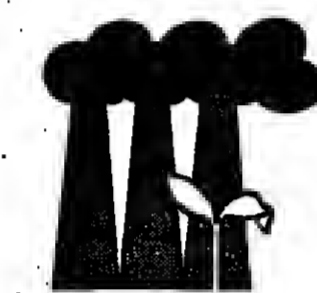
The idea for an institute of small business management grew out of discussions between the principals of about 60 businesses in the north-west and Wales, most of whom had taken part in owner-manager training programmes sponsored by the Manpower Services Commission. Regular reunions to review subsequent progress established an informal network of contacts between the business-people who then began to feel a need for a more structured way of promoting self-help between themselves.

The first step was the launch of an informal working party, whose members include Terry Bailey, formerly of Manchester Steel and now in specialist metal manufacture on his own account, Tony McKenna, the founder of Motroland, a growing business in car accessories, and Stan Parker of Stylo Plastics, a sign-making company.

Other members include WJF Jones, the chairman of Wigan New Enterprise, Terry Robinson, who owns an expanding debt collection business, and Leo Collinson, who is chairman of the Manchester management consultancy, Collinson Grant, and a member of the CBI smaller firms council.

Collinson says: "In our view no person or body has responded properly to the very special and growing needs of owner-managers and managers in small business. If we are to move from the birth of small businesses to their successful

The penultimate article in this series looks at the potential available to small firms of close subcontracting links with big companies



down this route point out that the dangers of getting too exposed to one customer can often be outweighed by the management contributions from discriminating purchasers in areas like quality control.

Taking, for instance, Pianoforte Supplies Plastics, a Warwickshire-based mouldings group, which works for both Nissan and Ford, Robert Foley, Pianoforte's production director, has seen his scrap rate fall by roughly a third since Ford introduced quality control

closer to single sourcing and getting involved with suppliers right at the design stage rather than just sending them a set of blueprints.

In other cases, however, suppliers and their customers are being driven closer together not so much by technology but by manufacturers' needs to improve quality and stock control in increasingly competitive markets. Here another Japanese transplant is playing an important part, the so-called just in time (JIT) manufacturing

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Handwritten note in Arabic script: "هذا من الجاهل"

FINANCIAL TIMES SURVEY

Tuesday July 15 1986

Dominican Republic

This Caribbean island has strengthened its economy as a result of IMF austerity measures and is diversifying away from dependence on the sugar industry

Watershed election adds to stability

THE FINE coral rock cathedral in the heart of the old quarter of Santo Domingo is both a place of worship and a sort of unofficial shrine to the island's most illustrious visitor, Christopher Columbus. This was the first documented place where Columbus touched land in 1492 on his way to discover the New World.

Though what is now the Dominican Republic was the first place on the map of the New World (then the island of Hispaniola), it has been one of the last to make itself known. Only now is the situation changing as the Republic enjoys increased political stability and diversifies its economy away from traditional dependence upon sugar to offset the heavy burden of foreign debt.

The Dominican Republic fits oddly into the structure of the Caribbean. Its territory is half an island, the western part being Haiti. The nearest parallel is perhaps the division of Guinea into two states in Australasia.

Along with Haiti, it was the first nation to acquire independence in the Caribbean. Profiting from Haiti's earlier independence from France the Dominican Republic declared itself independent in 1844 — more than a 100 years before any territory in the English-speaking Caribbean. It is also the only state to have been embroiled in armed territorial conflict with a neighbour in the Caribbean — the aggressor being Haiti on more than one occasion, and residual fear of Haiti remains.

Ignored by the English-speaking Caribbean, the Dominican Republic has also long suffered from its proximity

to the larger and richer island of Cuba, which attracted first the Spanish and then, during this century, American investment for development. The overthrow of the Batista regime in Cuba in 1959 and the advent of Fidel Castro's revolutionary socialism provided little immediate benefit.

This isolation was also a direct consequence of the existence of the Trujillo dictatorship, which started in 1930 and lasted until 1961.

The Trujillo family's rule ended with Rafael's assassination and the seizure of their properties (they owned two thirds of the sugar industry and were the largest landowners).

What followed was tantamount to civil war. The left-wing Partido Revolucionario Dominicano (PRD) headed by Mr Juan Bosch won elections in 1962, but he was overthrown by a right-wing military coup with US support, seven months later.

PRD supporters, backed by a group of constitutionally-minded officers, eventually decided to resort to arms. To break up the warring factions — and to ensure that a left-wing triumph did not produce another Cuba — the US sent in 20,000 marines in April 1965.

It has taken nearly 20 years to overcome the passions and divisions of this turbulent period. Indeed, the May presidential and parliamentary elections mark a watershed. Despite the allegations of fraud

and the excessive delay in announcing the final results, it was both the most pluralistic and the cleanest election the country has seen.

In the event 78-year-old Mr Joaquin Balaguer, who is nearly blind, was elected for what will be a fifth term as president. He and his Partido Reformista Social Cristiano (PRSC) won 41 per cent of the 2m vote — the largest freely-voting electorate in the Caribbean.

Close on his heels was Mr

Never before has there been a head of state elected to office by an electorate fully conscious that he is both blind and ageing. His appeal to some extent defies rational explanation. Undoubtedly he benefited from disenchantment with the outgoing government of President Jorge Blanco and a sense of distrust towards the PRD candidate, Mr Majluta, who had more or less forced himself on the party as the official candidate.

President Jorge Blanco has not been forgiven for his handling of austerity measures imposed by the International Monetary Fund. In April 1984 he introduced a broad range of measures to restructure the economy and cope with the service of the Republic's \$3.5bn foreign debt. This provoked an instant and violent reaction. Organised workers and spontaneous demonstrators took to the streets in Santo Domingo and other cities. Ill-prepared security forces over-reacted and more than 60 people died.

This incident has obscured very real economic achievements in the past two years. The Dominican Republic is one of the rare developing countries, especially in the region, to comply with its IMF targets. It also has the distinction of being the sole Latin American debtor to have floated its currency and seen it appreciate.

But the electorate has been less impressed by this, affected as it is by more than three years of recession. Incomes have fallen in real terms and unemployment is still rising. Large numbers of the 6.5m population live on the poverty line in this low wage economy and Mr Balaguer is nostalgically

remembered as the man who presided over a great boom. He held the presidency for three consecutive terms from 1960, the latter part of which was profoundly influenced by high international sugar prices.

On the back of this and borrowing extensively abroad, he initiated a large public works programme that has provided the capital with all its most impressive modern buildings — from the Central Bank to the National Theatre and various museums.

Today these are buildings the republic cannot afford on low sugar prices and a debt service ratio of 30 per cent. But during the election campaign Mr Balaguer successfully aroused nostalgia for this era of plenty. After the election the crowds round his house who waited to congratulate him shouted slogans like: "Now we shall have bread and jobs."

This mix of populist appeal, nostalgia and a tradition of the father figure leader (a caudillo) are probably the main reasons for his election.

Under President Jorge Blanco the country has begun to attract the interest of foreign investors, especially from the US. It is vital that this trend continues if diversification away from the mono-culture of sugar is to succeed.

The solidity of the political system should now help this: a stability which incidentally has been unaffected by events in neighbouring Haiti. Precautions have been taken along the border which has been virtually closed for six months now, even to the extent of excluding Haitian seasonal labour, traditionally used in the sugar harvest.



The guarantor of stability continues to be the US, now cast in a less interventionist role. Some 40,000 Americans live in the Republic (a sizeable number studying medicine) over two thirds of tourists are American.

As the most populous country in the Caribbean after Cuba and occupying a key strategic position, the US interest is likely to continue. But the close association with the US tends to mitigate against the Republic developing closer ties with the Commonwealth Caribbean, although it intends to be a full member of Caricom.

Last year, in a controversial cost-cutting move, the UK closed its Santo Domingo embassy.

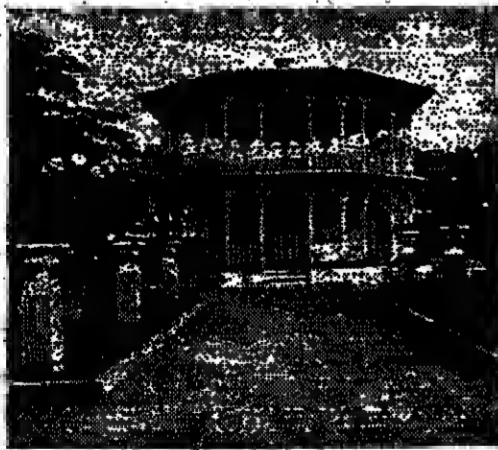
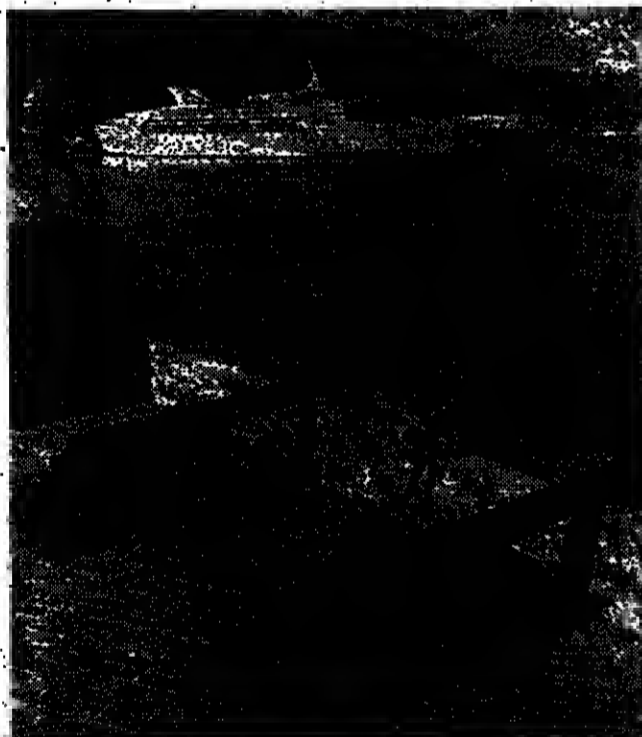
The one uncertainty ahead must be the health of the incoming president. Those who know him insist on the vigour of his intellect. However, he is both old and handicapped and has said he will stay in office until he dies.

Clearly much responsibility will rest on the man who ran as his vice-president, Mr Carlos Morales Troncoso. A US trained engineer, he has considerable business experience, having run the sugar and tourist operations of Gulf and Western in the Republic — the largest single foreign investment. However, he has little political experience.

President Jorge Blanco (left) will ease pressures on his successor, President-elect Joaquin Balaguer (right). However, Mr Balaguer's government of national reconciliation still has to deal with pressing problems of low family incomes and unemployment



The Dominican Republic



Facts About the Dominican Republic

1—GEOGRAPHY AND PRODUCTION

Situated in the Caribbean, to the South East of the United States. It lies to the East of Jamaica and to the West of Puerto Rico. It forms the greater part of the Island of Hispaniola on its eastern side. The main export products of the country are sugar, gold, coffee, cocoa, tobacco and ferronickel.

2—AIR COMMUNICATION

Is served by a number of international airlines, with flights connecting with Miami, San Juan, New York, Madrid, Caracas and other cities.

3—POLITICS

The Dominican Republic is the biggest representative democracy in the Caribbean.

4—FOREIGN INVESTMENT

It is an essential part of the policy of the government to encourage higher volumes of productive investment in both the private and public sectors. Also to promote sectors like minerals, tourism, agriculture and export-oriented industries. In this context the development of Industrial Free Zones (IFZS) encourages export-related industries.

5—BANKING SERVICES

A full service commercial banking network is established in the country. The Dominican Republic has a fully developed and modern integrated banking system which includes commercial banks, development banks, mortgage banks, and savings and loan associations.

6—INVESTMENT FACILITIES

The US Government's Overseas Private Investment Corporation (OPIC) provides insurance facilities, loans and loan guarantees for US investors in the Dominican Republic. At the end of 1982, the OPIC programme in the Dominican Republic was larger than in any other country. Foreign Investment is protected and promoted by Law and the exchange rate of the local currency in relation to the U.S. dollar is established in the free foreign exchange market.

7—CARIBBEAN BASIN INITIATIVE

The Dominican Republic is a beneficiary country under the United States Caribbean Basin Economic Recovery Act. The main provision of the Caribbean Basin Initiative (CBI) is the introduction of duty-free access for twelve years to US markets for a wide variety of goods from designated countries. The advantages of the CBI can be exploited by any company, regardless of ownership, operating in the Dominican Republic. This makes the country an ideal production base for goods and services to the US market.

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Dominican Republic
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Telex: 346052

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Dominican Republic 2

Economy

Austerity brings modest growth

IN ITS own quiet way, the performance of the Dominican Republic's economy has been one of the rare success stories during the Latin American debt crisis. After two years of tough, but well-administered, austerity measures, combined with sweeping liberalisation, the economy is beginning to enjoy modest growth.

A start has been made on diversification away from the traditional reliance on sugar with new agro-industries and the promotion of tourism.

At the same time the incoming administration of Mr Joaquin Balaguer will benefit from lower oil prices, lower interest rates and some windfall profits from coffee sales.

The transformation has not been painless. When the bulk of the austerity measures were introduced in April 1984 there were violent and large-scale riots. However, the Jorge Blanco administration leaves office next month having introduced the harshest measures.

The story of the Dominican Republic's economic difficulties is not dissimilar to that of its Caribbean and Latin American neighbours. The 1970s witnessed a period of high growth on the back of healthy prices paid for its chief commodity, sugar exports, also backed by gold reserves. The economy kept growing despite the oil price rises.

Heavily dependent upon imported energy, the authorities maintained an artificially high exchange rate of one-for-one to the dollar.

The republic's economy

Table with columns: External debt (US\$m), % debt increase, Imports (US\$m), Arrears (US\$m), Exports (US\$m), Reserves (US\$m). Rows for years 1973-1985.

Source: Central Bank.

Even so, the oil bill since 1983 has been running close to \$500m. On the basis of current prices the bill could fall to below \$200m this year.

The improved performance on the external account has been reflected in the exchange rate. Having been at a high of pesos 3.3 to the dollar in the wake of the free flotation, it has now steadied to around 2.80 to the dollar.

The exchange rate has undoubtedly been helped by rising tourist receipts. Tourist revenues are now running at \$470m a year, \$100m up on 1984.

A more significant element underpinning the exchange rate continues to be the extensive remittances of Dominicans living in the US. There are no precise figures and estimates go as high as \$1bn.

However, on the basis of the foreign exchange bought by the Central Bank, the figure is thought to be closer to \$600m.

The new administration will inherit a public sector deficit which has been brought down from 8 per cent of GDP to almost 2 per cent; an inflation rate which in the space of a year has come down from nearly 40 to 14 per cent and a growth rate of 2 per cent after their recession.

Wages, however, have been kept low and there is a degree of concealed inflation.

As a result of the recent elections the incoming administration has much greater control over Congress—a fact which inhibited the outgoing government.

The Balaguer electoral platform pledged a renewal of public spending to create more jobs but so far there have been few indications of major policy differences. The need to service debt and complete through to the first quarter of 1987, the IMF austerity package provides a straightjacket from which it will be hard to move.

The principal long-term problem remains how to create jobs in this the most populous Caribbean state outside Cuba. This will have to be done by greater emphasis on agro-industry, further promotion of agro-industries and expansion of tourism.

In doing this, it is essential that centres of employment are found outside the two major cities. The Dominican Republic has become far too top heavy, with too many people dependent upon the capital and its suburbs.

Robert Graham

Robert Graham



Foreign investment

US companies still dominate

ATTRACTING foreign investment has been fundamental to the outgoing Jorge Blanco administration's efforts to stimulate new export orientated industries.

The incoming Balaguer Government is committed to give the same priority; with a decline in the importance of sugar as a foreign exchange earner, the Republic is obliged to help service the burden of foreign debt.

In this respect the Dominican Republic's predicament is similar to that of Jamaica. However, unlike Jamaica it has been much slower to promote its assets, and actively seek foreign investment.

At present, US investors account for almost 70 per cent of foreign investment, reflecting the historical dominance of American companies in the economy for the whole of this century, and the fact that British companies tended to focus almost exclusively on the Commonwealth Caribbean.

Other nations with foreign investment stakes include Spain—a number of Spanish ventures established during the Trujillo dictatorship and some capital which left Spain at the time of Franco's death also ended up in the Republic.

Canadian investors have also been active, most notably the mining concern, Falconbridge.

Total cumulative investment this year has reached \$280m. The figure may be higher since the large expatriate Dominican community in the US, especially New York, has begun to channel funds into small-scale ventures in the service sector.

The basic attractions for foreign investment now are US-oriented. The republic is strategically located in the Caribbean within easy reach of, and with good links to, Miami and Florida, as well as the entire East Coast. Wages are cheap with only Haitian labour cheaper in the Caribbean.

On the Industrial Free Zones, hourly rates of pay are being quoted at \$0.57 to \$0.85. Although there is an organised trades union movement, not all sectors are fully unionised and there is no union presence in the Industrial Free Zones (IFZs).

Unlike most other Caribbean countries, the Republic has a large amount of land available at relatively low prices and

there is no shortage of skilled labour.

The attraction for US investors is that the Republic is included within President Reagan's Caribbean Basin Initiative (CBI). This provides a 12 year period of one-way free trade with few exceptions for all imports from CBI-designated countries as of 1984.

Significantly, the Dominican Republic has been one of the most successful countries in attracting investment under the CBI. In a study prepared last year by the State Department, 31 new ventures had been established for a value of \$48m, creating almost 10,000 new jobs.

While Jamaica attracted more projects and marginally more funds, the Dominican Republic created almost twice the number of jobs.

The dispute arose out of the 1984 peso devaluation which created problems in calculating the rate at which dividends were remitted. The main claims in this respect were settled in March but there is

still some \$6m in royalties unremitted.

The basic legislation governing foreign investment is Law 861, amended in 1983. This permits foreign investment in any sector except public utilities, communications, forestry, transport and defence. Nevertheless, exceptions exist even in these areas, the most notable is the US-owned telephone company, Codetel.

All foreign investments have to be registered with the Central Bank in pesos. The maximum profit remittance, as of August 1984, is 25 per cent of annually-registered capital. Once tax has been remitted, profits are freely repatriated.

The Jorge Blanco administration singled out four priority areas in which to seek investment: mining, tourism, agro-industry, and industrial free zones. These provide the best hope of being the most attractive to foreign investors, and the most useful to the economy in terms of job creation, technology transfer and foreign exchange earnings.

In the mining sector, the Jorge Blanco administration has sought to encourage better geological assessment of the country at one level; and another, to expand production of gold, ferronickel, silver and limestone.

Gold is considered the most promising along with ferronickel. Increased exports of these two commodities have helped offset the collapse of the local bauxite industry. Exploration also continues for copper, zinc and lead.

There is some hope too of encouraging greater interest in petroleum exploration, although this is now affected by the current depressed state of world prices. The biggest mining project under consideration is a projected \$380m gold mine venture in which the government is trying to interest the IADB for project finance.

Both tourism and agro-industry investment is treated in detail in separate articles. However, here it is worth stressing that the biggest foreign investment has been in sugar. Western ownership of the La Romana complex.

Ownership passed in 1984 to the Florida-based Fanjul family of Cuban origin. The Fanjuls are now in the process of diversifying their agricultural interests away from sugar and increasing their presence in the tourist sector.

Dominican officials are confident that agro-industries represent a significant and largely untapped source of foreign

investment. Among the deals pending is a major investment by Dole, the US food group, to produce pineapples.

Between 1984 and the end of last year, it is estimated, foreign investment in agro-industry created some 12,000 jobs. Here the new government is liable to come under pressure to alter existing legislation that limits foreign ownership of agro-business projects to 49 per cent.

The fourth priority area concerns the Industrial Free Zones (IFZs). The first IFZ was founded in 1969 at La Romana, financed by Gulf and Western and was conceived as a logical extension of its activities in the area, since then three others have been established—nearby to San Pedro de Macoris; and at Santiago and Puerto Plata in the north.

The IFZs are considered extra-territorial with all imports and exports duty free, while corporate earnings are free of tax. The main type of investment attracted to the IFZs have been textile operations, with goods brought in semi-finished and made up by cheap local labour.

About 60 per cent of all labour in the IFZs is concerned with such textile operations. Overall 18,300 are employed in some 140 companies.

The Jorge Blanco administration was sufficiently encouraged by this, especially in the light of the CBI, to consider at least two further IFZs. In the meantime, bigger efforts have been made to attract blue chip companies and in particular US groups with operations in Puerto Rico that have become either too costly in wage terms or where capacity has been reached in existing installations.

Among the new companies expected to come are Westinghouse and GTE. Within the Caribbean, competition is high to attract such business since several small island economies are offering broadly similar facilities and benefits—to any of the 'maquiladoras' industries on the Mexican-US border.

The authorities would like to attract more Pacific Basin investment using the Republic as a backdoor to the US. However, the government and private sector still lack resources in self-promotion.

Equally, the government recognises that its appallingly cumbersome bureaucracy has to be streamlined. Still too many potential investors risk being put off by dealings with the state machinery. This will be an important task for the new Balaguer Government.

Robert Graham

Investing in the Dominican Republic

Lic Jose Antonio Najri, Chairman of the Investment Promotion Council, talks about the Dominican Republic and its attractions for the foreign investor.



- Q. Would you tell us a little about the Dominican Republic?
A. The Dominican Republic is an independent nation located one of the largest of the Caribbean Islands.
Q. What is the living environment like in your country?
A. First-time visitors to the Dominican Republic are often struck by the quality and variety of amenities the country has to offer.

These new ventures represent a total investment of more than US\$100 million and will create more than 15,000 jobs.

- Q. Tell us more about your Duty Free Zone Programmes.
A. With nearly 20 years' experience in managing Duty Free Zones we have the most well-developed programme in the Caribbean region.
Q. How can our readers find our more business opportunities in The Dominican Republic?
A. I would encourage them first to get in touch with the Investment Promotion Council.

On the Industrial Free Zones, hourly rates of pay are being quoted at \$0.57 to \$0.85. Although there is an organised trades union movement, not all sectors are fully unionised and there is no union presence in the Industrial Free Zones (IFZs).

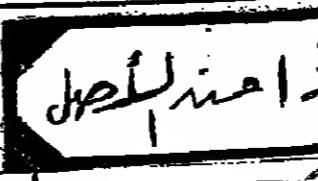
For more details about investing in the Dominican Republic, contact: INVESTMENT PROMOTION COUNCIL, Consejo Promotor de Inversiones Extranjeras Inc., Edif CIANAVE, 2do Piso, Av Mexico 66, Santo Domingo, Dominican Republic, Tel: (809) 682 2323



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Dominican Republic 3

Tourism

Big increase in number of visitors



Private beach at the 7,800-acre resort of Casa de Campo

NOTHING COULD have been more welcome to the Dominican Republic's travel industry than the country's recent election campaign.

It was not just the election result that counted—the new Government is expected to be more aggressive in helping promote the industry—but the comparative tranquility of the campaign itself.

The region, rather than longer time than Europe, has been sensitive to bad news. The US invasion of Grenada a few years ago had a deterrent spillover effect on islands hundreds of miles away.

But smooth changes of Government in the capital of Santo Domingo have become standard fare in the past decade or so, reinforcing the industry's view that the republic is a peaceful country whose pluralistic society with its agreeable and musical people welcome foreigners.

Indeed, there is probably no better advertisement than the all-pervasive sound of the merengue, the island's national music, whose pulsing Latin beat is as representative of Dominican character as the samba is to the Brazilians.

Compared with other Caribbean islands the Republic's tourism industry is comparatively new, having come into its own in the past decade.

Its growth has been so strong, however, that it is causing concern in Jamaica, which the republic regards as its main competitor. Jamaica takes in about \$1bn a year in tourism revenues. The Republic will generate more than \$400m, predicts Mr Ramon Prieto, head of the National Association of Travel Agents.

This will be about 10 per cent up on the previous year, itself 10 per cent up on 1984. Double figure growth rates are forecast for the rest of the decade.

Tourist arrivals will approach 800,000 for the year, compared with over 700,000 last year, and just 278,000 in 1975.

The World Bank, recognising the industry's importance to the well-being of a largely agriculture-dependent country, has helped fund infrastructure development in the sweeping Puerto Plata resort along the north coast, 34 hours by car from Santo Domingo.

Puerto Plata has seen 2,000 hotel rooms added in just two years, and will be the focal point for the growing bulk tourism market. It is helped by improvements made to its own international airport and Government efforts to encourage more foreign airlines to fly into the country, despite protests from Dominican Airlines with its six-aircraft fleet.

At the moment, Puerto Plata is thriving on the influx of Canadians who, with their own weak dollar, are entering the republic in high numbers, encouraged by the heavy devaluation of the Dominican peso two years ago.

The capital itself, with its 1.5m people, is undergoing a transformation of its old quarter. It is the oldest city in the Americas, and the birthplace of Christianity in the New World, having been Columbus's second landfall on his first voyage in 1492.

A dozen or so of its ancient battlements and official buildings dating from that time have been restored. Several new hotels along the sweeping sea front Malecon Boulevard are being completed, and the city administration is planning to clean up the seashore and may build breakwaters to ensure that city beaches eroded over the years can be restored.

The tourism potential now being grasped on a national level was anticipated more than a decade ago by Mr Charles Bluhdorn, the late head of the giant Gulf and Western Group

of the US, which at that time was the largest foreign interest in the country.

Mr Bluhdorn says his main target is the growing incentive travel and corporate business market.

While most of Casa de Campo's business comes from the US, it can count on a growing supply of corporate customers from Venezuela, Colombia, Puerto Rico, Canada and Europe.

Mr Silvestri says that the complex has just signed a three-year deal with Grand Tours of Italy, a travel unit of the state-owned ENI group, which will mean some 35,000 customers from Italy over the next three years.

Several thousand Canadians will also use the Casa de Campo in the next few years as a result of a similar deal signed with the Sun Quest group of Toronto.

He does not take lightly the competition from smaller resorts in the Barbados Sandy Lane area and Jamaica's Frenchman's Creek, but says the real competition is from Hawaii, Puerto Rico and Monte Carlo.

While Casa de Campo is at the high end of the tourism scale, its own room nights will have expanded to 136,000 by next year compared with 49,000 available in 1983.

One factor above all is responsible for the growth throughout the country's tourism sector, Mr Silvestri states: "In many of these islands, people have to be trained to be nice; but not here. Hospitality is instinctive."

Frank Gray



The brothers Alfonso and Jose Fanjul. Florida-based sugar entrepreneurs, they now run the island's largest private sector corporation with interests in tourism, sugar and livestock

Sugar

Ready to diversify

GOVERNMENT AND private sector interests in the Dominican Republic are now taking their first positive steps to diversify the country's huge but ailing sugar industry.

With an annual production of about 1m tonnes, the Dominican Republic is, with the exception of Cuba, the largest sugar producer among the Caribbean nations. The country has also prided itself in being the most efficient, aided by its low wage levels and its economic scale of production, which is stimulated by its large domestic market of more than 6m.

However, these factors have meant that the Dominican Republic is now only starting to do what its smaller island competitors have been doing for years—scaling back sugar production in favour of other crops or, indeed, other industries.

Experts are unanimously agreed that the task will not be easy: sugar amounts to 25 per cent of all the Republic's export earnings, surpassing gold, silver, ferrometals, cocoa and coffee, all of which combined to give the country some 90 per cent of its entire export income of \$737m in 1985.

According to the Banco Central, overall exports are forecast to grow to \$900m this year, and the sugar sector's return on earnings from abroad is likely to tumble to \$17m from \$207m in 1985. The continued fall from a peak of \$340m in 1981 has been steep indeed.

The problem is aggravated by the fact that the US is by far the largest customer and, since 1982, has steadily scaled back its import. The Republic used to be able to count on shipments of 750,000 tonnes per year to the US, but since 1982 this has been cut back to 280,000 tonnes.

In addition, the Republic is not a Lomé Convention pact signatory, and does not have preferential access to the European market as does some of its English-speaking neighbours in the Caribbean by virtue of their former British colonial status.

The reality of the situation facing sugar producers was a factor in the decision by Gulf and Western of the US two years ago to pull out of the Dominican Republic. It sold its Central Romana sugar company, which includes the world's largest sugar-producing unit, its livestock holdings and its tourism properties in Santo Domingo and a vast, rolling estate near La Romana, 90 miles west of the capital, to Messrs Jose and Alfonso Fanjul, two Cuban-American brothers with vast agriculture holdings in Florida.

The 200,000 acres comprising Gulf and Western's properties on the island are estimated to have been sold for \$200m, a figure not denied by the Fanjuls.

Central Romana, in its first year under Fanjul ownership, produced 277m tonnes of sugar, its lowest output in years.

Mr Eduardo Martinez Lima, Central Romana vice president, said the company's aim was to diversify into tourism, mainly through its Premier Hotel Group, which has the Santo Domingo and Hispanola Hotels in the capital and the

Casa de Campo complex in La Romana. The hotel division is understood to be anxiously seeking tourist properties in other countries.

Central Romana will always be a sugar producer, however, but no growth is forecast, Mr Martinez says. This could mean some hard decisions ahead, as it is the country's largest private-sector employer, providing jobs for some 22,000 workers in the peak harvesting season.

Much of its livestock—that which is not used in banking—has been slaughtered as subsidised food for employees and to service the tourism industry.

It has fallen to the state Consejo Estatal de Azucar to take the lead in diversifying into other agricultural crops.

The CEA admits it has an advantage over Central Romana. The latter's sugar holdings are almost entirely on rough terrain not suitable for any other type of crop, whereas the CEA harvests some of its sugar from smoother terrain, some of which is now being switched to other types of agriculture.

Mr Carlos Espinosa, an economic consultant specialising in the sugar industry and a former Central Bank Governor, believes an optimum 30 per cent, or 360,000 tonnes of sugar production can be diversified into other agricultural production.

For two years, the CEA, which accounts for about two-thirds of sugar production, has had a programme under way to produce pineapples, melons, tomatoes and palm oil on old sugar land. The main market is the US Eastern seaboard.

Factors in these ventures are such food processors as United Brands, Dole and Castel and Cook.

Washington is helping the CEA through the US Aid programme, and has provided \$20m to finance sugar land re-development. The funds are matched by a further \$60m (\$34m) allocated by the Santo Domingo Government. The funds are being loaned through the Republic's banks, whose inherent conservatism, it is hoped, will ensure that their use is maximised.

It is believed that still more could be done.

Mr Bernardo Vega, a consultant and also a former Central Bank governor, has urged the CEA to broaden its objectives by allocating some of its sugar-producing land in urban areas to middle and low-income housing projects, a pressing need in a country which has suffered a drift of people to the capital, which has more than 1.5m people.

Mr Vega adds that the CEA also has considerable holdings in tourist areas and, in the face of the boom in the tourism industry, much land could be sold off to private sector tourist interests along the lines of what is being taken by the Fanjul Family.

Frank Gray

Return of the old survivor

PROFILE: JOAQUIN BALAGUER

JOAQUIN BALAGUER'S political career has spanned so many years in such varying circumstances that it is almost impossible to pin a label on him. The man who is to be the Dominican Republic's next president will be 79 in September and is now almost blind.

He has proved a remarkable political survivor, having been labelled variously an opportunist, authoritarian, populist, and a brilliant tactician.

In his office in Santo Domingo there is a portrait of the late Spanish dictator, Gen. Franco. Yet Mr Balaguer is also a literary critic and in his youth wrote an essay on the Spanish poet Federico Garcia Lorca who was killed by Franco's side during the Civil War.

He has produced more than 40 books covering literary works, political tracts and novels. Latterly his style has become pretty turgid and the bookshops which rushed out editions in the wake of his electoral victory in May have not had so many buyers.

Mr Balaguer was born near the northern town of Santiago in 1907, and after attending local schools won a place at the state university in Santo Domingo. There he studied law and went on to gain a doctorate at the Sorbonne in Paris.

His political activities date from the early 1930s with the rise of the Trujillo dictatorship. He came to be a close confidant to the founder of the Trujillo regime, Rafael Leonidas Trujillo. He was made first of all vice-president under the Trujillo in 1957 and then was titular president in 1960.

Despite his closeness to the family after Rafael was assassinated in May 1961, he managed to engineer the exile of the rest of the family and the state seizure of their very considerable assets.

However, his links to this ruthless dictatorship eliminated him as a likely candidate in the presidential and parliamentary elections held in 1962, that saw the triumph of his long-time rival, the Left-wing Mr Juan Bosch.

Mr Balaguer went abroad into a form of exile for four years in New York, and thus managed to avoid being tainted by the brief civil war that broke out



in 1965 after Mr Bosch had been ousted in a military coup and US Marines intervened.

He returned in 1966 to win an election in which the Left was kept under close reign by the military, then enjoyed three uninterrupted terms until 1978 against the background of prosperity from sugar, and major investments in public works.

His rule was marked by occasional outbursts of brutality, right-wing terrorism and guerrilla violence. He failed to remove the military from dabbling in politics and this was one of the major criticisms levelled against him after he lost the 1978 elections.

Mr Balaguer did not have to be pushed to seek office again: he was more than eager in 1984, and there is no doubt about his continued intellectual vigour. This was evident during his election campaign when he could still hold big crowds.

However, he is physically frail and his blindness is a major handicap. Some of his supporters insist that with the aid of a powerful magnifying glass and strong light, he can see sufficiently to sign documents. But this is contested by many others and it is going to be a problem how state documents will be signed — which in theory he must read.

His natural instinct is still to take as active a part in every aspect of political life as possible. However, he is more likely to take a back seat after his initial period in office. The presidential term lasts for four years.

Robert Graham

Johnnie Walker



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Dominican Republic 4

Coffee and cocoa

Export earnings improve

THE TIMELY boom in the price of coffee and the continued steady growth in the sales of cocoa will mean improved export earnings for producers of the two crops which are likely one day to outstrip sugar as the Dominican Republic's two major agricultural export earners.

disputed value in the Dominican Republic—the Caribbean region's largest producer after Cuba—it is somewhat left to the mercies of the marketplace and the international quota system implemented by the member nations of the International Coffee Organisation.

Cocoa is a labour-intensive industry in a labour-intensive country. Coffee provides employment to 250,000 workers, and the harvest is carried out by some 45,000 families.



Mr Carlos Morales during the recent election campaign. As the country's leading businessman and new vice-president, he will be responsible for implementing the policies of President Balaguer

improvement in export earnings—especially in the face of a floating, albeit reasonably stable, currency—a productivity improvement in such a vital crop is an important objective.

Trade

Realism about policy

THE UPS and downs of the world oil market in recent years have had a salutary benefit on the otherwise carefree Dominican Republic in that it has brought home a sense of realism in the establishment of trade policy.



Cigar production. Millions of handmade cigars are exported to the US

The Republic is not an oil producer and relies on major suppliers, such as Venezuela and Mexico, for most of its energy needs. It is helped to some extent by its own capacity to produce hydro-electric energy, but heavy siltage, and the all-too-frequent hurricanes, means that its electricity facilities are operating at about 50 per cent of capacity.

The thrust of the Government's trade policy has been to encourage investment in export-oriented industries: the domestic economy, with a notable lack of disposable income, simply is too weak to support policies that boost imports.

Baseball

Life on the sports pages

ANY EUROPEAN businessman seeking to ingratiate himself with potential clients in the Dominican Republic would be well advised to begin by reading the sports pages of one of the capital's nine daily newspapers.

America's national sport. There is scarcely a single team of the 26 in the US major leagues — las grandes ligas — that does not have a Dominican player on its roster.



Baseball: an essential part of Dominican life

It will become immediately apparent that baseball is the national sport—indeed, the national obsession—as essential to the Dominican way of life as cricket is to the English-speaking Caribbean.

Television viewers were reminded of this on the July 4 Statue of Liberty centennial celebrations, when, among the many interviews with foreigners who have attained success in the US, there was a particularly emotive one with Manuel Mota, a Dominican-born coach with the Los Angeles Dodgers.

Jays and reckoned to be one of the sport's potential super stars. The columns are also peppered with the names of other heroes such as Tony Fernandez, Dazasso Garcia, Stan Javier, Juan Samuel, Julio Franco, Joaquin Andujar, Fernando Griffa. The list seems, and probably is, endless.

bean coast, 75 miles to the west, where youngsters use stones and scrap wood when baseballs and bats are not available.

during the last years of the regime of the late dictator Rafael Trujillo. If they were all to return, they would boost the island's population by 10 per cent, which reflects, more or less, the percentage of those Dominican baseball players making their names and fortunes in "las grandes ligas."

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FINANCIAL TIMES OVERSEAS SURVEYS 1986 - 87
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July: JAPAN, NEW ZEALAND
September: CANADIAN FINANCE AND INVESTMENT, URUGUAY, CAYMAN ISLANDS, HONG KONG AS A FINANCIAL CENTRE, GUANGDONG, BOTSWANA
October: JAPANESE INVESTMENT IN EUROPE, MARYLAND, ARAB BANKING, NEWFOUNDLAND, PITTSBURGH, PACIFIC RIM—ARENA FOR ECONOMIC GROWTH
November: SINGAPORE, US WEST COAST BANKING, FLORIDA, COLOMBIA, MOROCCO, TEXAS, MALAYSIA
December: JAPANESE INDUSTRY, CHINA
January: UNITED ARAB EMIRATES
February: KUWAIT, JAPANESE BANKING
March: QATAR, BRAZIL, AUSTRALIA, SOUTH AFRICA, NIGERIA

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UK NEWS

Stable output prices boost low inflation hopes

BY GEORGE GRAHAM

MANUFACTURERS' output prices remained unchanged in June, boosting the Government's hopes of keeping inflation low in coming months. Industry's output prices continued, however, to outstrip the cost of its fuel and raw materials. Output prices stood 4.5 per cent higher in June than they had 12 months earlier, the Department of Trade and Industry (DTI) said yesterday. That compared with an increase of 4.6 per cent in the year to May. Input prices, by contrast, were provisionally estimated to have fallen by 1.2 per cent in June, or 0.7 per cent after seasonal adjustments. That left prices 8.4 per cent lower than they were 12 months earlier, compared with 8.7 per cent lower in the previous month. The fall in input prices was due mainly to lower prices for home-produced food and imported commodities, the DTI said. The food, drink and tobacco industries collectively saw their fuel and raw-material costs fall by 1.9 per cent in June compared with a fall of 0.9 per cent in the costs of other sectors of manufacturing industry. The continued slide in oil prices was expected to improve producers' costs further in coming months at

though some of the gain may be offset by the depreciation in sterling, which began in earnest last week. Manufacturers saw the price of the fuel they purchase drop by 0.5 per cent last month, leaving fuel costs 11.9 per cent lower than a year earlier. Other materials prices fell by 1.4 per cent in June to stand 7.3 per cent below their year-ago level. Some industrial sectors have seen a dramatic contrast between their input and output prices. Manufacturers of artificial fibres, for example, have over the last 12 months seen their fuel and raw-material costs fall by 10.5 per cent but have been able to increase their own output prices by 8.2 per cent. Inflation has slowed more sharply in the consumer price area than it has for producers' prices. The Retail Price Index was up 0.1 per cent in June, but it has decelerated since then. Where the annual rate of increase in producer prices has only fallen from 4.9 per cent in February to 4.5 per cent last month, the retail price inflation rate has in the same period fallen from 5.1 per cent to 2.5 per cent.

Pound hopes for a soft landing

THE POUND has slid so far and so fast since the middle of last week that financial markets have been moved to the sort of apocalyptic language usually reserved for a full-blown sterling crisis. George Graham writes.

"Catastrophe point may have been reached," commented stockbroker Phillips & Drew yesterday, while even the more cautious analysts began to predict an end to the steady succession of cuts in UK interest rates since this year's budget in March.

Sterling exchange-rate index has fallen by 2 points in three trading days, the sudden decline prompted by the precipitous fall in oil prices. As prices plunged through \$10 a barrel, currency traders suddenly began to recall the pound's status as a petro-currency.

Yet for the past four months, the Conservative Government has been able to persuade the markets that the effect of lower oil prices on the UK economy is "broadly neutral - if anything, slightly beneficial".

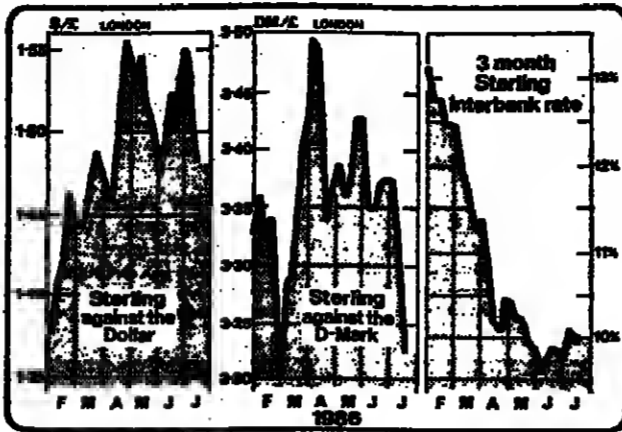
Treasury economists argued that North Sea oil and gas represented only 5 to 6 per cent of the UK's national income, 8 per cent of total UK exports and 6 1/2 per cent of the Government's revenues.

While the collapse in oil prices would reduce those revenues, they said, consumers and industry would benefit, since lower oil prices would encourage higher world trade and output, with lower world inflation. The UK would gain, although by less than its main industrial competitors, which are net importers of oil.

With a run of poor UK trade statistics in recent months, however, investors have begun to wonder how soon the longer-term benefits of increased world trade would materialise to offset the immediate adverse effect of lower oil prices on the UK's balance of payments.

Since 1983, the UK has relied on its exports of oil and its surplus in invisible trade to offset a growing deficit on its trade in non-oil, visible goods. This year, oil trade is not likely to contribute the £2.2bn (\$1.2bn) surplus it did in 1985.

The oil-trade surplus dwindled from £987m in January - when prices had just begun to fall but output was exceptionally high - to



£212m in May. The non-oil deficit, however, reached the unprecedented level of £1.54bn in March, and has averaged £900m a month so far this year. The Treasury remains sanguine. In its budget forecasts, it predicted that the deficit in non-oil visible goods would fall slightly to £292m, while a drop of £32m in the oil trade surplus would be offset by a similar increase in the invisible trade surplus. Even on the Treasury's assumption that the oil price would average \$15 a barrel throughout the year, that forecast of a £292m current-account surplus in 1986 was viewed by many private-sector economists as too optimistic. With oil now changing hands at around \$9 a barrel, the

surplus is likely to be considerably less.

Since world economic activity has taken much longer to respond to the stimulus of lower oil prices than most forecasters had expected, the eventual benefits of increased world trade are as yet nowhere to be seen. Indeed, experts to members of the Organisation of Petroleum Exporting Countries have suffered.

The depreciation in sterling that would help the UK economy to adjust by increasing the competitiveness of its other exports has been slow in coming. On a trade-weighted basis, the pound's value is now only 6.5 per cent lower than its average for 1985.

Now that the adjustment appears to be in progress, however, Whitehall officials are treating it as no cause for immediate concern, so long as it proceeds steadily. An excessive decline in sterling, however, might jeopardise some of the advances made in reducing the rate of inflation, so the authorities are expected to proceed towards lower interest rates even more cautiously than in recent weeks.

In the short term, that might mean that the prospect of a cut in UK banks' base rates, which many analysts had expected to be imminent, has receded. Yet another round of international interest-rate reductions, led by the US Federal Reserve last week, might help the pound to maintain its interest-rate cushion and allow it a soft landing.

Branson unveils his campaign for the greening of Britain

BY IAN HAMILTON FAZEY, NORTHERN CORRESPONDENT

MR RICHARD BRANSON, the millionaire rock-record chief, airline entrepreneur and transatlantic speedboat racer, yesterday unveiled "UK 2000", a Government-backed body that will campaign to make Britain greener.

Mr Branson will chair the organisation for a year. It will provide an umbrella for voluntary bodies, trusts or charities already engaged in environmental work. They will be the vehicles for channelling 3,000 jobs under the Government's community programme into clean-up and "greening" projects.

New government money will amount to £750,000 to pay the running costs. The community programme jobs will cost £22m in wages but will be set so much "new" as better directed and coordinated.

The aim is not just to clean up Britain, but to wipe out dereliction and bring more green into cities, making districts more attractive and, the Government hopes, creating new opportunities that the private sector will seize. As the name implies, the project will last at least 14 years.

The value of appointing Mr Branson, a charismatic figure with youth appeal, was demonstrated by yesterday's launch, which took place in Dean Clough Industrial Park, a renovated, formerly derelict complex of old mill buildings deep in the heart of Halifax. That now houses 140 small businesses employing more than 1,000 people. Rescuing and cleaning up the buildings created their opportunity.

The launch was orchestrated like a show business event, complete with confetti. The warm-up men were Mr Nicholas Ridley and Lord Young, Secretaries of State for the Environment and Employment respectively, who prepared the large, invited audience for the entrance of the bronzed and casually dressed Mr Branson.

A complaint from a Halifax councillor that there seemed no formal involvement of local authorities in UK 2000 was neatly sidestepped, arousing suspicions that here is yet another body through which the Government is bypassing local democracy to have its own way in attempted economic regeneration.

Ivor Owen writes: Money for the clean-up has been diverted from local authorities denied adequate resources for street cleaning and similar work, Labour MPs claimed in the House of Commons yesterday.

Surveyors vote for stock-market access

BY ANDREW TAYLOR

CHARTERED SURVEYORS yesterday voted to change the rules of their governing professional body to allow members to become public quoted companies or subsidiaries of larger groups.

The rule changes have been forced by growing competition for business within the financial-services sector. They will allow commercial and residential estate agencies greater freedom to issue shares and merge with other companies.

Members of the Royal Institution of Chartered Surveyors voted by 82 per cent - although only 10,000 of the 55,000 membership voted - to end restrictions preventing agencies from raising more than 25 per cent of their capital to outside shareholders.

Under the new regulations, estate agents operating as unlimited-liability partnerships will be free to incorporate as limited or unlimited companies.

The institution last night welcomed the decision and said: "With open access to the stock market and injections of outside capital available, chartered surveyors will be in a stronger position to compete against the banks, building societies and other bodies now offering surveying services."

Insurance companies such as Prudential and banks such as Lloyds and Hambro have increasingly been making inroads in the housing market through estate-agency offshoots.

Austin Rover faces US challenge on car name

AUSTIN ROVER is involved in a battle about the use of the name Sterling for its new executive car in the US, Kenneth Gooding writes.

London Coach, a company based in Michigan, has objected to Austin Rover's use of the name and, as a result, the US patent office so far has rejected the UK company's application to register it.

However, Austin Rover said yesterday that the name would be used and the launch of the Sterling, known in the UK as the Rover 800, would go ahead as planned in the US early next year. The Rover Group (formerly British Leyland) subsidiary said negotiations were in progress with the US company.

London Coach imports to the US London black taxi kits from the Carbodies company in Coventry, installs engines that meet US emission requirements and completes the final trimming. It calls one version of the London cab the Sterling Limousine.

NORTHERN Ireland experienced more violence on the last

main day of the Loyalist July holiday marches, but Sir John Hermon, head of the Royal Ulster Constabulary, said common sense and restraint had prevented the scale of disturbances that some people had forecast. He blamed heightened tensions on the Anglo-Irish agreement, which gives Dublin a voice in the affairs of the province.

AMNESTY International has announced the appointment of Mr Ian Martin, a 39-year-old Briton, as its next secretary general and chief executive of the movement, which has 500,000 supporters around the world.

MERCURY, the only competitor to British Telecom's main network, is to introduce its first local call service in the London area from the first week in August, a month earlier than scheduled.

TRUSTEE Savings Banks will be formally transferred to the private sector next week as part of the preparations for its stock-market flotation, MPs were told.

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The benefits of BR's investment

British Rail announces a current investment of £2 million a week.

programme are already becoming apparent. The fastest journey time between Charing Cross and Hastings, for example, has already been reduced by over 14 per cent.

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This is the most exciting period of renewal on British Rail for more than a generation. Two billion pounds of investment will ensure that, by the end of the decade, British Rail will not only be the most cost-effective major railway in Europe but also one of the most successful, offering continually improving standards of service.



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UK NEWS

Mitsubishi Canter truck to be assembled in Ireland

MITSUBISHI of Japan is likely to enter the UK light truck market with a vehicle assembled in Ireland, Kenneth Gooding, Motor Industry Correspondent, writes.

A 3.5 tonnes gross weight chassis-cab version of the new Mitsubishi Canter truck arrived in Britain yesterday. The importer, Colt Car, is to pay for the technical tests necessary before it can go on sale in the UK.

The Japanese industry has an unofficial agreement with the UK So-

ciety of Motor Manufacturers and Traders not to export heavy trucks (over 3.5 tonnes) directly to Britain.

Colt, based at Cirencester Gloucestershire, and 49 per cent owned by Mitsubishi, said yesterday it was not its aim to circumvent the agreement by bringing trucks in through an Irish "back door".

"There is some demand for us to extend our commercial-vehicle range but the small numbers we would expect to sell make it more sensible to bring the trucks in from

Ireland than fully built-up from Japan," Colt explained.

Although the recently introduced Canter - which has a new tilting cab more suitable to European demands - will be put through the technical tests, Colt said that did not necessarily mean it would be sold in the UK. The vehicle was just the subject of a feasibility study.

The Canter trucks will be assembled in Ireland by MNC Commercial of Dublin from kits sent from Japan.

Colt caused some controversy in 1982 by importing to the UK under the name of Lonsdale cars built at Mitsubishi's factory in Australia. Some observers argued that that was in contravention of the "gentlemen's agreement" between the UK and Japanese motor industries, which limits car shipments from Japan.

Colt insisted that the Lonsdales were not Japanese as they had an 85 per cent Australian content

measured by ex-factory value. However, the Lonsdale project was not a success and no Australian cars were imported last year.

Precedent for the non-direct shipment of Japanese trucks to the UK via Ireland was set by Hino, a company in which Toyota has an interest.

HCV Motor Vehicle Distributors, the importer based at Warrington New Town, sold more than 350 Hino trucks in the UK between 1980 and

the middle of 1983 when the British Government introduced "type approval" technical and safety tests for heavy vehicles and brought sales to a halt.

Mr Liam O'Neill, managing director of HCV, said yesterday that two trucks had already successfully been put through type approval and a third would be shortly. Sales started again recently and HCV hoped to sell about 100 heavyweight Hinos this year.

New coal-fed power stations may meet electricity demand

BY MAURICE SAMUELSON

BRITAIN'S ELECTRICITY industry is likely to seek planning permission early next year for two big coal-fired power stations in southern or south-west England, whether or not it receives approval for its first pressurised-water reactor at Sizewell, Suffolk, on the east coast of England.

They would be the first to be ordered in Britain for about a decade and would increase the electricity industry's coal consumption by nearly 10m tonnes a year. As coastal or river-front stations, they would be capable of burning imported coal, an important factor in future bargaining over British coal.

The Central Electricity Generating Board (CEGB) says it is designing the two new 2,000 MW stations because of higher growth than expected in electricity demand. They would be sited in the south of England to ease the strain on the distribution system in that part of the country.

The plans do not conflict with the CEGB's firm commitment to expand its nuclear capacity, which at present supplies almost 17 per cent of its needs. But if Sizewell is approved and commissioned, as planned, in 1994-95, the CEGB would still aim to bring the two new coal plants on stream about a year later.

The new plants, expected to cost up to £1bn each, would be the first coal stations to be commissioned in Britain since the late 1970s when Mr Tony Benn, as Labour's Energy Secretary, ordered the CEGB to double the capacity of its 2,000 MW station at Drax, North Yorkshire.

The CEGB says that Drax extension, recently completed at a current cost of £926m, was built on time and within its original budget. With the help of the experience at Drax, it would hope to do even better on the new power stations.

It is therefore considering whether the stations should consist of two 900 MW generating units, instead of the three 600 MW units, which are the biggest so far built in Britain.

British boiler and generator suppliers have experience in building units of up to 1,200 MW for overseas power stations and are believed to be anxious to build the first 900 MW sets in the UK.

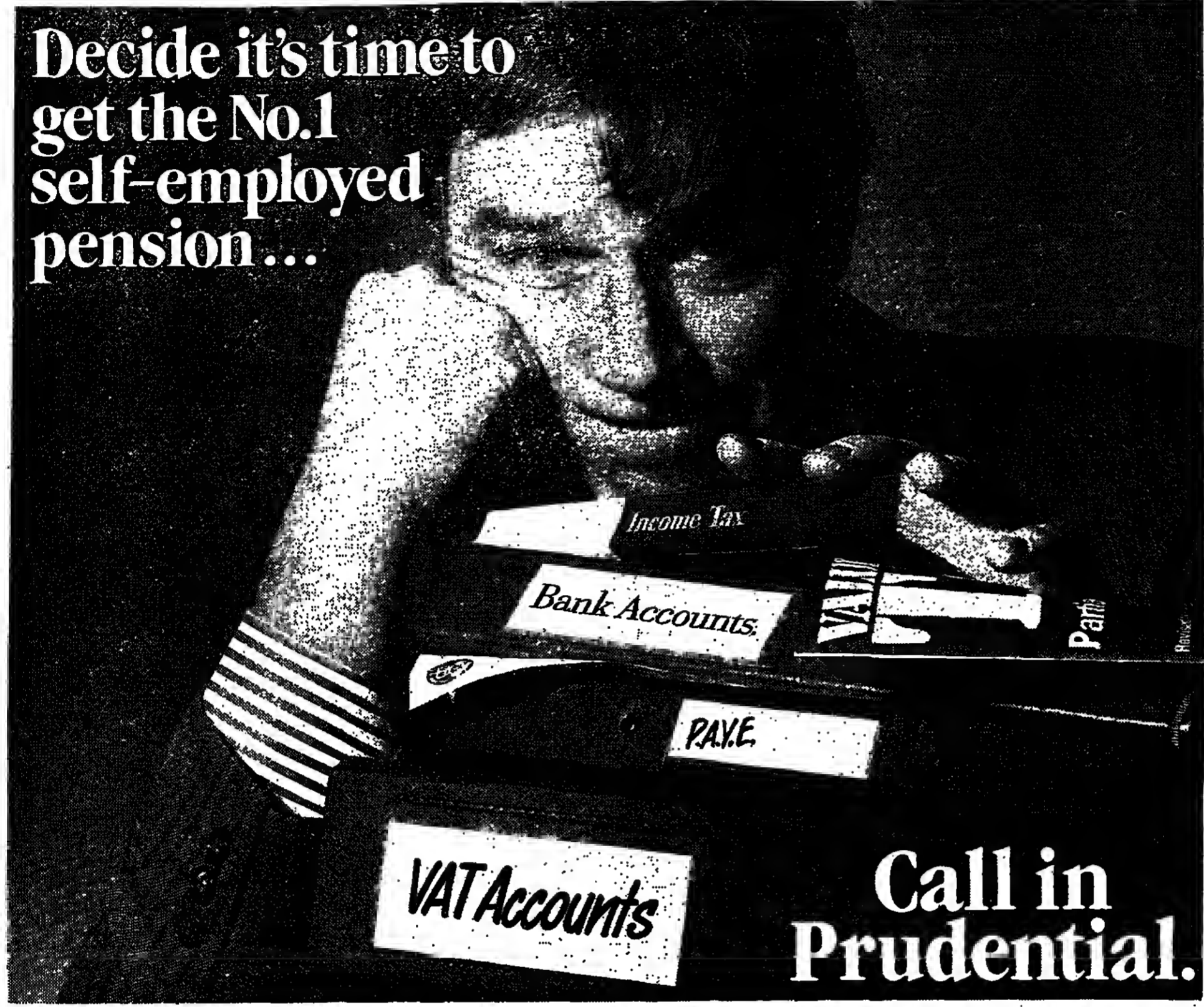
The sites in which the CEGB is believed to be most interested are at Fawley or Marchwood, on Southampton Water, and at Incewath Point, Plymouth. Other possible locations are at Kingsnorth or Barking on the Thames. An inland site is not excluded, although West Burton, in the Midlands, is thought likelier than Didcot, Berkshire, which was named in a weekend press report.

The CEGB is unlikely to win permission without a local planning inquiry, but resistance to coal-fired power stations can hardly match that which has held up the Sizewell nuclear project.

Hostility of the environmentalist lobby will also be moderated, if, as is expected, the CEGB agrees to equip the stations with anti-pollution features to reduce their emission of sulphur dioxide and nitrous oxides.

Prices accession, Page 18

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Profits rise by 20% at Robert Fleming

BY BARRY RILEY

A BREAKTHROUGH in profitability of the corporate finance department was said to be the significant feature of the 1985-86 performance of Robert Fleming Holdings, the privately owned merchant banking group. Yesterday it reported a 20 per cent rise in profits after tax, minority interests and transfer to income reserves for the year ended March 31 1986.

Fleming's big corporate finance deals last year included the defence of the Distillers Company, the flotation of Wellcome and the promotion of the Channel Tunnel Group. The department has continued to be busy in the current year.

Mr Joe Burnett-Stuart, chairman, said in his annual statement that the group was "as well prepared as any to grasp the opportunities which will come with Big Bang in London and with the other changes, no less important, in every financial centre in the world."

Revaluations of assets have boosted Fleming's balance sheet, with capital and reserves up from £118.1m to £195.3m. Listed investments are taken in at market value, and the 59 per cent stake in the unquoted Save & Prosper group has been included at a new directors' valuation of £43.8m - effectively putting a value of £74m on Save & Prosper as a whole.

Sharp increases in Robert Fleming pay levels are disclosed, with a jump of 69 per cent in aggregate management remuneration, including pension contributions. The number of directors earning more than £100,000 last year increased from three to 15, and Mr Burnett-Stuart's own remuneration as chairman rose from £132,000 to £204,000.

Mr Burnett-Stuart said Fleming was continuing to lose money on its market-making activities in UK equities but looked forward to joining the Stock Exchange in October. That operation was fundamentally profitable, allowing for its temporary disadvantages in standing outside the Stock Exchange framework. For the time being, Fleming continued to have to bear stamp duty and brokers' commissions on some transactions.

The overall profitability of securities dealing and broking, including foreign stocks, was good. There was also an "extremely good" trend in the investment management side - where Fleming earned half its total revenues - both in terms of good investment performance and success in gaining new business.

Fleming did not intend to follow Morgan Grenfell, the merchant bank, and seek a Stock Exchange listing as a source of finance.

Management buy-outs at £930m for 1985

BY WILLIAM DAWKINS

MANAGEMENT buy-outs are taking place in the UK on a far larger scale than figures have suggested, according to the University of Nottingham's Centre for Management Buy-Out Research.

It estimates in a study that £930m worth of management takeovers took place in Britain last year, bringing the total since 1979 to £1.9bn.

Mr John Coynes and Mr Mike Wright, the centre's directors, said there were 227 buy-outs last year, worth an average of £4m each, against 210, worth £1.2m each, in 1984.

Their full findings will be published in September by Venture Economics, the US research consultancy. The Nottingham figures are nearly 15 per cent above earlier estimates by Peat Marwick, the accountants, mainly because they include buy-outs that are either too confidential or too small to be announced.

The centre says that even its own figures might understate the size of this fast-growing phenomenon because it is hard to keep track of the increasing number of deals quietly financed by straight bank loans through clearing bank branches equity investment.

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UK accused of failing to honour electricity pledge

BY MAURICE SAMUELSON

MAJOR INDUSTRIAL users of electricity in the UK are accusing the Government of failing to honour a pledge that electricity tariffs would be cut to reflect a cut in the price of power-station coal and falling world oil prices.
 Although domestic and most commercial and industrial customers are better off, they say that for the high-load consumers, electricity tariffs are only 1 to 2 per cent lower than a year ago, compared with the 7-8 per cent reduction announced five weeks ago by Mr Peter Walker, Energy Secretary. (Mr Walker was commenting on the 600m cut in the power station coal over the next two years.)

Mr Alan Marriott, a director of the Paper and Board Industries Federation, says that as a result of Mr Walker's statement, the buyers of British-made paper were asking why they were not benefiting from the promised 7-8 per cent electricity cut.
 "We have to tell them that Mr Walker's statement was a political con," says Mr Marriott. For some smaller firms, electricity tariffs had actually increased.

His complaint is echoed by other energy-intensive industries, including steel, chemicals and cement, which have long argued that their most energy-intensive sites face higher energy bills than many of their European counterparts.
 The Energy Department strongly denies that Mr Walker sought to mislead the public, and says his critics fail to take into account the cancellation of the 5 per cent tariff increase for electricity scheduled from April 1.

	Oct 1985	July 1986
UK	2.7	2.7
France	2.5	2.1-2.3
Italy	2.3	1.9
Netherlands	2.7	2.4
Belgium	2.6	2.5
West Germany	2.5-3.0	2.5-3.0

	Oct 1985	July 1986
UK	34	30-34
France	23.5	24.7
Netherlands	28.25	16.7
West Germany	25-28	18-28
Italy	29.7	13

Source: British Steel / British Independent Steel Producers' Association

The Electricity Council, for its part, points out that further tariff reductions may be announced later in the year as a result of a price review currently in progress.

Energy-intensive companies that pay more than their European competitors are also disappointed by the continued delays in implementing a special cheap electricity scheme to remove such inequalities.

It would have involved supplying power stations with 4m tonnes of coal a year dedicated to cheaper power for large industrial sites that use electricity 24 hours a day. The Central Electricity Generating Board and the coal industry are said still to favour the deal, but the Electricity Council, the electricity industry's umbrella body, shows marked lack of enthusiasm.

Industrial-gas prices in Britain are also a source of grievance. Prices of gas sold on interruptible contracts, where customers may switch to other fuels, have fallen sharply.

But customers tied into firm supply contracts have enjoyed relatively little benefit since last October, in contrast with those in Continental countries, where some prices have been more than halved.

Tourists spend a record £10bn

By James McDonald

TOURISTS FROM within Britain and from overseas spent a record £10bn in England in the year to March 1986. That was £1bn more than in the previous 12 months, the English Tourist Board (ETB) said in its annual report.

Of the extra £1bn, £750m came from overseas visitors, who spent a total of £4.93bn. British tourists on holiday in England spent £5.08bn—£275m more than a year before.

"After an encouraging first three months of growth, visitor numbers from North America fell by 19 per cent in April compared with the same period last year," said Mr Duncan Buck, ETB chairman.
 "Great efforts have been made by the tourist boards and the industry to counter this decline and there have been strong signs that this market is recovering and that the downturn was temporary."

Mr Buck said there were still many "who believe that a job in the tourism industry is in some way less of a job than one in a manufacturing industry. All of us need to work hard in changing the attitudes of those who think in this way."

The British Museum was the main tourist attraction in London last year, according to figures released by the London Visitor and Convention Bureau (formerly the London Tourist Board).

In its list of the top 10 visitor attractions in 1985, the British Museum took in 3.6m visitors. The National Gallery had a total of 3.2m visitors and the Science Museum 2.7m visitors. The Natural History Museum came fourth, with 2.6m. English Tourist Board, annual report to end-March 1986, Department 4, 4 Bromley Road, London, SW4 4L.

Brussels allocates £26m regional aid

BY PAUL CHEESBRIGHT IN BRUSSELS

WALES WILL receive more funds than any other British region from this year's fifth allocation of cash from the European Community's regional fund.

It is providing £26.5m to assist industrial and infrastructural projects throughout Britain, of which £9.89m will go into Wales.

The fund, established in 1975, is designed to assist poorer regions of the Community, but most of the money disbursed is granted on a national quota basis.

The UK has consistently been the second largest beneficiary in the Community, after Italy, but lately has been supplanted by Spain and

Portugal, the newcomers to the Community, and Greece. In 1984 terms, this year the UK has received 77.1m, against 47m for Spain, 318.2m for Portugal, 270.3m for Italy and 121.2m for Greece.

The aim of the fund is to assist small projects, so the money going to Britain is thinly spread

Export sales of mining equipment reach peak

FINANCIAL TIMES REPORTER

EXPORTS OF mining equipment were a record £213m last year, the Association of British Mining Equipment Companies (ABMEC) says. The figure was 9 per cent up on the previous year's £194m.

The improvement came entirely in underground equipment, particularly because of the introduction of longwall mining technology. Exports of £171m were 17 per cent ahead of 1984.

Exports of surface equipment were 14 per cent down, at £52m. ABMEC said that was mainly a re-

sult of the completion of large projects in Asia in 1984.

As in previous years, the biggest export market was the US, where sales were up by nearly 60 per cent at £57m. The next largest was South Africa, with £25m.

ABMEC said Europe became its second largest business area for the first time last year, accounting for 17 per cent of sales. Exports to Eastern Europe were up 46 per cent. Sales to China, by contrast, fell from £33m in 1984 (making it the second biggest customer that year after the US) to £12m.

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12	1402	4788	7830	11432	15998	22212	24292	26450	27984
28	1426	4780	7848	11464	15976	22224	24296	26452	27986
44	1450	4802	7870	11518	15988	22256	24320	26476	28010
60	1474	4826	7894	11572	15998	22288	24344	26496	28034
76	1498	4850	7918	11626	16008	22320	24368	26516	28058
92	1522	4874	7942	11680	16018	22352	24392	26536	28082
108	1546	4898	7966	11734	16028	22384	24416	26556	28106
124	1570	4922	7990	11788	16038	22416	24440	26576	28130
140	1594	4946	8014	11842	16048	22448	24464	26596	28154
156	1618	4970	8038	11896	16058	22480	24488	26616	28178
172	1642	4994	8062	11950	16068	22512	24512	26636	28202
188	1666	5018	8086	12004	16078	22544	24536	26656	28226
204	1690	5042	8110	12058	16088	22576	24560	26676	28250
220	1714	5066	8134	12112	16098	22608	24584	26696	28274
236	1738	5090	8158	12166	16108	22640	24608	26716	28298
252	1762	5114	8182	12220	16118	22672	24632	26736	28322
268	1786	5138	8206	12274	16128	22704	24656	26756	28346
284	1810	5162	8230	12328	16138	22736	24680	26776	28370
300	1834	5186	8254	12382	16148	22768	24704	26796	28394
316	1858	5210	8278	12436	16158	22800	24728	26816	28418
332	1882	5234	8302	12490	16168	22832	24752	26836	28442
348	1906	5258	8326	12544	16178	22864	24776	26856	28466
364	1930	5282	8350	12598	16188	22896	24800	26876	28490
380	1954	5306	8374	12652	16198	22928	24824	26896	28514
396	1978	5330	8398	12706	16208	22960	24848	26916	28538
412	2002	5354	8422	12760	16218	22992	24872	26936	28562
428	2026	5378	8446	12814	16228	23024	24896	26956	28586
444	2050	5402	8470	12868	16238	23056	24920	26976	28610
460	2074	5426	8494	12922	16248	23088	24944	26996	28634
476	2098	5450	8518	12976	16258	23120	24968	27016	28658
492	2122	5474	8542	13030	16268	23152	24992	27036	28682
508	2146	5498	8566	13084	16278	23184	25016	27056	28706
524	2170	5522	8590	13138	16288	23216	25040	27076	28730
540	2194	5546	8614	13192	16298	23248	25064	27096	28754
556	2218	5570	8638	13246	16308	23280	25088	27116	28778
572	2242	5594	8662	13300	16318	23312	25112	27136	28802
588	2266	5618	8686	13354	16328	23344	25136	27156	28826
604	2290	5642	8710	13408	16338	23376	25160	27176	28850
620	2314	5666	8734	13462	16348	23408	25184	27196	28874
636	2338	5690	8758	13516	16358	23440	25208	27216	28898
652	2362	5714	8782	13570	16368	23472	25232	27236	28922
668	2386	5738	8806	13624	16378	23504	25256	27256	28946
684	2410	5762	8830	13678	16388	23536	25280	27276	28970
700	2434	5786	8854	13732	16398	23568	25304	27296	28994
716	2458	5810	8878	13786	16408	23600	25328	27316	29018
732	2482	5834	8902	13840	16418	23632	25352	27336	29042
748	2506	5858	8926	13894	16428	23664	25376	27356	29066
764	2530	5882	8950	13948	16438	23696	25400	27376	29090
780	2554	5906	8974	14002	16448	23728	25424	27396	29114
796	2578	5930	8998	14056	16458	23760	25448	27416	29138
812	2602	5954	9022	14110	16468	23792	25472	27436	29162
828	2626	5978	9046	14164	16478	23824	25496	27456	29186
844	2650	6002	9070	14218	16488	23856	25520	27476	29210
860	2674	6026	9094	14272	16498	23888	25544	27496	29234
876	2698	6050	9118	14326	16508	23920	25568	27516	29258
892	2722	6074	9142	14380	16518	23952	25592	27536	29282
908	2746	6098	9166	14434	16528	23984	25616	27556	29306
924	2770	6122	9190	14488	16538	24016	25640	27576	29330
940	2794	6146	9214	14542	16548	24048	25664	27596	29354
956	2818	6170	9238	14596	16558	24080	25688	27616	29378
972	2842	6194	9262	14650	16568	24112	25712	27636	29402
988	2866	6218	9286	14704	16578	24144	25736	27656	29426
1004	2890	6242	9310	14758	16588	24176	25760	27676	29450
1020	2914	6266	9334	14812	16598	24208	25784	27696	29474
1036	2938	6290	9358	14866	16608	24240	25808	27716	29498
1052	2962	6314	9382	14920	16618	24272	25832	27736	29522
1068	2986	6338	9406	14974	16628	24304	25856	27756	29546
1084	3010	6362	9430	15028	16638	24336	25880	27	

FT COMMERCIAL LAW REPORTS

Bank's demand for unspecified sum is valid

BANK OF BARODA v PENNIESAR

WHEREAS a debenture provides for repayment of the same on demand...

handed him two notices of appointment, one in respect of each company.

mechanics of payment, was to be preferred to the test of a reasonable time depending on the circumstances of the case.

In the present case there were no resources available to meet the debt and accordingly if the "reasonable time" did apply the debt would be no different.

HIS LORDSHIP said that the three brothers owned two companies called Loweroff and Gilmontone.

Mr. Moncaster, for the brothers, contended that the demand should have specified the amount of money due.

There did not appear to be any English authority on the point, but Mr. Gresswell, for the receiver, referred to a persuasive case in the High Court of Australia.

A slightly different approach had been adopted by a number of Commonwealth authorities, where the time to be allowed for a debtor to comply with the demand had been held to be a "reasonable time".

On September 22 1981 the companies joined together in giving a debenture to the bank in respect of all moneys owed by them.

By November 25 1983 both companies had exceeded their overdraft limits.

That reasoning, as to the content of the notice of demand was very persuasive.

As a commercial matter, and a debenture was very much a commercial matter, a short but adequate period limited to the implementation of the

CONTRACTS

Changes at Victoria Station

SUSTAIN CONSTRUCTION has won the contract to build Heron Property Corporation's £11m London Victoria shopping centre, to be known as Victoria Place.

RUSH & TOMPKINS has won eight contracts worth more than £11m.

Work has started and is due for completion to August.

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by Kuwait International Investment Co. s.a.k.

Notice to the Holders of the

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Floating Rate Notes due July 1986

of Banco De Chile

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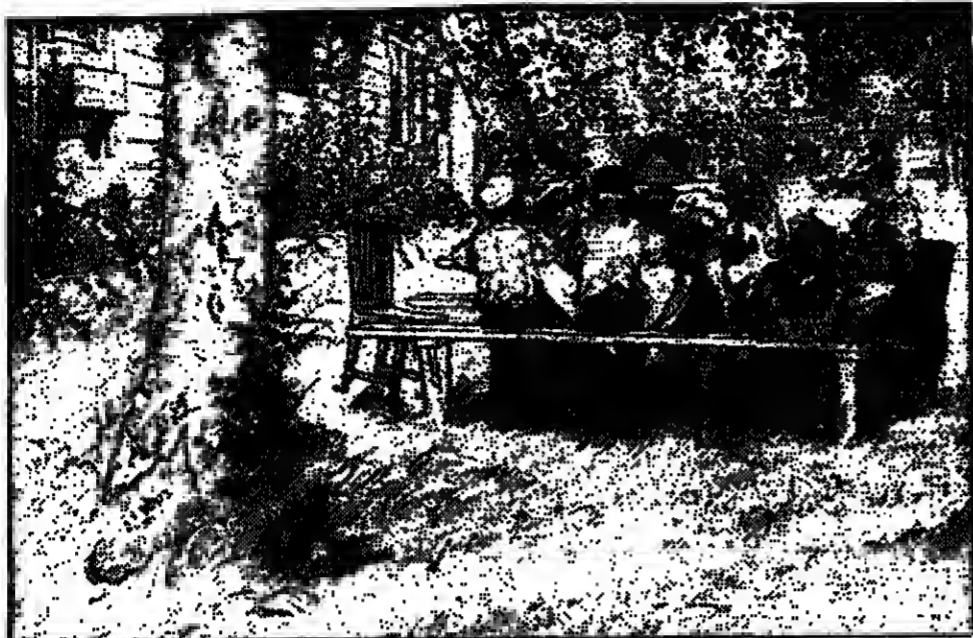
Gartmore Investment Management Limited

THE ARTS

Hayward Gallery/William Packer

Stepping out from the Nordic shadows

Dreams of a Summer Night, that now fills the principal halls of a Hayward Gallery on the South Bank with five Nordic countries (until October 5), is a major exercise in art-historical rehabilitation...



Luncheon Under the Big Birch, a watercolour by the Swedish artist Carl Larsson

The substantial pleasure to be had of it all may indeed be in large part a function of our own surprise and delight in new experience, but we must take care that such an immediate, natural reaction in itself does not deflect us thoughtlessly into an easy patronising qualification...

special study, but certain conventions, too, of thought and classification, may too easily be accepted. That one city or nation should enjoy the monopoly of creativity and talent is obvious nonsense...

not in Paris, or looked elsewhere, is to miss the point. Travel through Europe for a generation before the First World War was rapid, easy and unfettered...

house in the forest, the veranda, the view across the water in the fading light. But it does pull the work together within a coherent vision, that suggests the general formative experience and a common sensibility.

though so very different, is perhaps the most remarkable with his quietist images of cool, plain interiors and Vermeer-like figures, their backs turned. Peder Krøyer, another Dane, whose contemporary fame extended to his being given a room to himself at the Venice Biennale of 1909...

The quality of melancholy, actual or unspoken, informs everything in the exhibition, none more so than the work of Edvard Munch, who is without question the greatest artist represented. And it is indeed an aspect of the exhibition's fundamental importance that it transforms our understanding of Munch...

Of the more positive surprises, one of the nicest is to discover how many and how good the women painters are and how, at least in Scandinavia at that time, they practiced on an equal footing and were taken with an equal seriousness to the men. Anna Ancher, a native of Skagen, was the better known of the two.

Rita Hunter/Festival Hall

Richard Fairman

For a century or more, the popular "Caro min ben" singers from Australia have come to Europe to find their fame and fortune. There are not many stories of people making the journey in the reverse direction...

The popular "Caro min ben" by Giordani floated on an affecting piano, and Foster's "Jeannie with the light brown hair" was suitably dreamy and sentimental. But for the rest there was too little verbal nuance...

as is the characteristic tone quality with its fast vibrato at the top of the scale. To that "La Inca lince" from Verdi's Macbeth added a strong chest register and lullaby-like air. An excerpt from Strauss' Elektra, given with full dramatic impact and fearless top notes, gave a decent idea of the notes, repertoire she is essaying these days in Australia...

Gabrieli Quartet/Wigmore Hall

Dominic Gill

This year's series of 24 "Wigmore Summer Nights" concerts is drawing to its close (just seven remain between now and the end of July), but has lost none of its impetus meanwhile. A packed hall greeted the Gabrieli String Quartet on Saturday night for their programme of Mozart, Janacek and Schubert.

It was not a remarkable evening, but it had its relaxed and unostentatious virtues. The Gabrieli opened with Mozart's F major quartet K590, delivering it with that genial, not especially searching way they have, which treats the broad flow and the texture of the music as more significant, and more worthy of special emphasis, than its small-scale, subtle detail.

concentration and ardour was not in the air: what we heard was in no way a counterfeit, but a good reproduction, in clear and vivid colour, whose expressive edges were somewhat slightly blurred. The Gabrieli's trio were joined in the second half by the double-bass of Adrian Beers and the pianist Wolfgang Manz for Schubert's "Trout" Quartet, and for the kind of chamber performance whose favour is the most difficult of all to convey in print. Entirely capable, admirable in its fashion, well made, clearly projected, but never, in any measure, wholly airborne or wholly gripping. The difference is vital, but so impalpable that one puts it down to atmospheric pressure, or alchemy, or the stars.

Kronos Quartet/ICA

Paul Driver

The Kronos string quartet, based in San Francisco, visited London on Sunday night as part of their English tour (which includes a residency at Dartington Summer School), to take part in the four-event MusICA series of new musical performances chosen by Adrian Jack. The programme was delightfully diverse: quartets by West German, American, Korean and South African composers were played, extremely wide stylistic differences were made.

Whatever one thought of the piece, one could not deny it was performed with extraordinary skill. I particularly admired the cellist, Joan Jeanrenaud's bowing, and determined enthusiasm. Like the Arditi Quartet in this country, the Kronos devotees themselves exclusively to new music, and the results, technically and expressively, are liable to be equally impressive. However I was left untouched by their fourth item, Jin Hui Kim's "Landscape" - another boring reclamation for Western ears of Asian microtonal and evanescent noises. In fact, during it, my attention was entirely fixed on the Kronos's costumes. In the first half they wore sea-black and shiny with padded shoulders: now they had removed them to display skin-tight T-shirts, slashed with colour, worn underneath. The effect seemed like a back-scratching from the future, on a laser beam.

Clothes-philosophy was happily dispelled by Kevin Volans's "White Men Sleep" - his mastery of arrangement for quartet of his African source music which has previously been heard at the ICA in a version for harp, piano, percussion and viola da gamba. The four dances were ravishing and rhythmically simple, dynamic, rhythmic, assuaging of utterance. One of them - for viola melody and accompanying pizzicati was hypnotically catchy; another resembled the American horndog (folk music all over the world is similar); while the opening improbably resembled that of Tippett's second string quartet. The Kronos's performance was caring, and totally compelling.

Beer boost for jazz

Schlitz, the American beer, is to give British jazz a boost with £200,000 sponsorship of Schlitz Jazz Sounds '86 - open to all jazz musicians between the age of 18-30. This national competition will go the demo-tape route for bands with up to a maximum of seven performers. The demo-tape must run for no longer than 15 minutes. Prizes will include £2,000 worth of equipment from F D & H Music; £500 expenses for all bands in the final; a trip to the US with Virgin Atlantic plane and demo recording in Virgin Studios. The judging panel will listen to all tapes submitted no later than the closing date of August 15. The panel will select 27 bands to take part in nine regional finals, which will take place in September and October. The nine regional winners will compete for the final at the BBC 2 television final. The competition is being organised by Jazz Services in conjunction with Eastern Jazz, Jazz South, Jazz South West, Platform, Jazz Central and the Welsh Jazz Society. Entry forms for budding, not yet discovered or established bands, can be obtained from Jazz Services, 5 Dryden Street, London WC2E 9NF.

Wiener Blut/Berlin

Ronald Holloway

On the way in to the Theater des Westens violins on loudspeakers bled of a relaxed evening bashed in the waltz traditions of Wiener Blut. But take a seat in this splendidly appointed house, and the orchestra is nowhere to be found: instead of the strings, six pianos occupy the stage. A swinging-door exit to the back indicates that the marriage is off in a neighbouring room. Herbert Wernicke, following his experimental approach to Carl Maria von Weber's Oberon earlier this year in the Deutsche Oper Berlin, has revolutionised the Johann Strauss operetta to such an extent that the public has been split down the middle between angered traditionalists and enthusiastic music lovers who like their evenings out challenging and full of surprises.

of the entire structure of the operetta being turned upside-down. Clocks tick away the minutes above each of the pianos, as though the setting was a railway station instead of a diplomat's villa. The tick-tock as a subconscious musical refrain becomes assimilated in the performance when suddenly the merriment gives way to a stylised Dance of Death. The production is packed with inventive musical metaphors. To begin with, stage director and set designer Herbert Wernicke and music arranger Uli Harmsen transcribed the entire score for six concert pianists. Instead of three acts, the operetta has been whittled down to a single sit-in performance - and this in an atmosphere of red-light bulbs, as though the audience was spending an evening in a fashionable bordello. Visually the garden-party of the finale simply doesn't exist. Wiener Blut is a teaser. There's an aura of the absurd throughout. Pump Pepi Fleiniger, a maudlin stuffed into a seam-splitting ballet costume, fends off an admirer by climbing on to a grand piano while, almost impossibly, carrying a tune at the same time. The pianos are covered with white shrouds to symbolise the arcades in the garden-party scene, an artistic plug in all likelihood for Christo's ongoing effort in Berlin to package the Reichstag. On one occasion, as everybody makes for the back door, a traffic bottleneck reminds this viewer of the cabin sequence in the Marx Brothers' A Night at the Opera. Witold Gombrowicz's Operette appears to receive another genial tip-of-the-hat; these gifted singers and performers love tramping on worn out traditions.

Just as this madcap farce on Strauss' operetta and waltz music is about to wind down to a standstill, the cast find themselves onstage without a pianist in sight. So they individually take to plunking out tunes on the Bechsteins in search of the right one - until someone in the audience gets aggravated enough to yell out: "Wiener Blut!" And on comes the lusty finale. Indeed, even audience response pro and contra - has been fitted into the overall directorial concept.

Queen/Wembley Stadium

Antony Thorncroft

Some things never change - rain at Wembley on a Saturday night and a Queen concert for starters. Not that the torrential downpour disturbed the band's performance; they are into dramatic stage gestures. In fact they paid the heavens handsomely for the special effect. For the rest, we had seen this, heard that. The puffs of smoke heralding the band's arrival; the explosions which rock the stage after the first song; the serrated ranks of lights which pepper the performers; the strips of neon on either side of the set which flash fitfully; the sound and the fury of a great deal of money, all to enable Freddie Mercury, the exotic bloom of the quartet, to indulge his taste for camp theatricals. He still does it splendidly. He still does the catwalk - short stage like a short leave sailor and threatens dire consequences with his mike stand; he strips down to his celebrated underwear in the R.A.F. Cull Davie's last conducting assignment as Royal Opera musical director, with Elizabeth Connell, James King, Hartmut Walker and Gwynne Howell. Coliseum, St Martin's Lane: The Dance Theatre of Harlem continues its season until Saturday. From Monday London Festival Ballet opens with Ashton's Romeo and Juliet, and on Wednesday Natalia Makarova joins the company for one gala performance of Cranko's Oleg.

(the other 80,000-odd packing the stadium got little attention). The rest of Queen get on with supplying the music which is now a pastiche of pop covering fitful years, a few watery snatches of Elvis Presley to the excesses of pomp-rock, still represented by "Bohemian Rhapsody". It is Brian May who allowed an extended guitar solo in which he is very clever at conjuring up an echo and creatively banal, but in the main they look stoical, as Mercury describes them as "four aged gentlemen" and vow never to split up. And why should they? By being many things to most people they have vast appeal, and although it is hard to avoid the feeling that they are going through the motions as they tour the world with their spectacular box of aural and visual tricks, they certainly deliver. Their recent songs like "It's a kind of magic" are as competent as earlier efforts like the ridiculous "Seven seas of Rhye". Given the genius of pop music to keep its favourite songs ageless - Mercury is 39 now - I see no reason why another vast crowd should not be wet but happy at Wembley in 1986.

Saleroom/Antony Thorncroft

The warrior survives

An archaic Greek bronze statuette of a warrior, made around 940 BC, and one of only a dozen that are known to have survived, sold for £25,800 at Sotheby's yesterday, at the low end of its estimate. The statuette, just over 6 inches high, is missing its hands which would have held a spear and a shield. It is unusual in having surfaced in a remote part of southern Arabia where it was bought, cheaply, in 1949, by the father of the vendor. How it got so far remains a mystery. In all the auction totalled £221,368 with almost 20 per cent unsold. A separate section of Islamic glass fared even worse, totalling £9,185, with two thirds of the sale unsold. Robin Symes, the London dealer, paid £4,200 for a 1st century BC Hellenistic bronze figure of Eros, springing forward on one leg. A set of nine identical late Antique silver spoons, made in the Eastern Mediterranean in the 7th century AD, were just on target at £20,350. They contain Christian monograms and may have been used at special religious festivals. An Assyrian gypsum panel from a relief dating to the 7th century BC, perhaps from the wall of an Assyrian palace, retailed its estimate at £28,800. It shows warriors in action. An Apulian vase, dated 1973, did well at £8,640.

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Arts Guide July 11-17. Opera and Ballet. VIENNA: Strauss' Wiener Blut and Mozart's Die Entführung aus dem Serail. Evening except Sunday. Schönbühne, Palace Theatre (82 45 00). Die Fledermaus. Volkoper (42 800/20 85) (Wed). LONDON: Royal Opera, Covent Garden: The now rather aged and shabby John Copley production of Così fan tutte comes back for an end-of-term run, with Gabriele Ferro as conductor and an oddly mixed cast including newcomers Karita Mattila, Anne Sofie von Otter, John Aler, and the veteran Walter Berry. Further performances of the new Fidelio, Colin Davis's last conducting assignment as Royal Opera musical director, with Elizabeth Connell, James King, Hartmut Walker and Gwynne Howell. Coliseum, St Martin's Lane: The Dance Theatre of Harlem continues its season until Saturday. From Monday London Festival Ballet opens with Ashton's Romeo and Juliet, and on Wednesday Natalia Makarova joins the company for one gala performance of Cranko's Oleg. Milan: Teatro alla Scala: Bellini's La Sonnambula conducted by Gianandrea Gavazzeni with Luciana Serra, Patricia Pace and Ronald Giolitti (Fri); and with Lucia Aliberti, Miriam Gucci and Giorgio Surjan (Sat). WEST GERMANY: Cologne, Opera: the last performance of this season will be The Marriage of Figaro, with Janice Hall, Andrea Anderson and Claudio Nicolai in the cast. Stuttgart, württembergisches Staatstheater: Viva la mamma stars Hildegard Urmacher and Wolfgang Probst. In the repertory also is Niccolò Jommelli's Fedra, produced by Axel Mauyber. München, Bayerische Staatsoper: Munich's annual opera festival runs from July 7 to July 31. The second week of performances start with Don Giovanni starring Cheryl Studer, Trudechi Schmidt, Kurt Moll and Francisco Araiza. Other productions are La Forza del Destino with

Handwritten signature or note at the bottom of the page.

Japan's fishing fleet is very particular about its chips.



Whenever a Japanese fishing boat lands a tuna, it's almost certainly thanks to British technology.

The radar that spotted the blighter in the first place will more than likely feature a microchip devised over here by Plessey.

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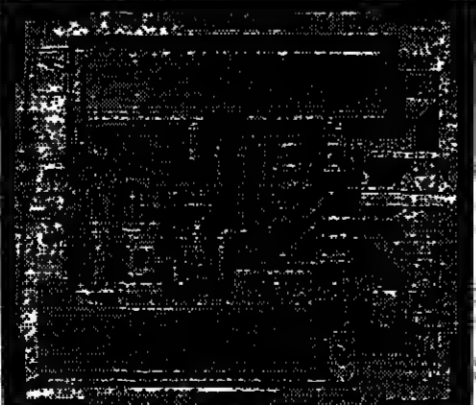
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Tuesday July 15 1986

UK role in Star Wars

AS A prelude to addressing a conference on international participation in the US Strategic Defence Initiative in Brussels today Lt Gen James Abrahamson, the director of the programme, has been talking with the UK Defence Ministry on progress in bringing British technology-based companies into the project. Under an agreement signed between the US and UK Governments last December, UK concerns have the chance to bid for potentially lucrative contracts under the programme, which is due to spend up to \$30bn by the early 1990s in devising a space-based shield to defend the West from nuclear attack.

Progress on UK collaboration since December has been far from promising. So far, British companies and government establishments have received Star Wars contracts worth about \$15m, a far cry from the \$1.5bn that Mr Michael Heseltine, the former UK Defence Secretary, was talking about last summer and also from the "hundreds of millions of dollars" which Gen Abrahamson himself mentioned during a visit to Britain in February. The UK contracts are mostly for theoretical studies in technologies such as computing and sensors where British scientists have particular expertise. These studies, which cost relatively little to employ British people, could conceivably lead to awards to UK concerns for the procurement of hardware such as computer systems in the later stages of the programme. For this type of work, the cash sums would be much larger.

Technical thrusts

The possibilities of this sequence of events taking place in any significant way, are leading to large-scale contracts for Britain, are looking more and more remote. The budget for Star Wars is coming under increased pressure in the US Congress. The Reagan Administration appears unlikely to obtain more than about \$3.9bn for the anti-missile project for the year beginning in October, compared with the \$5.4bn which it has requested.

Furthermore, the longer the Star Wars project goes on without UK concerns gaining a foothold, the harder it will be for them to build up enough momentum to obtain substantial contracts in later years. Many

A step backwards in the Gulf

AMONG THE conservative monarchies of the Gulf, Kuwait has promoted and cherished its reputation as the most politically and socially enlightened of those newly-rich oil-producing nations. Unlike other members of the Gulf Cooperation Council—Saudi Arabia, Bahrain, Qatar, United Arab Emirates and Oman—it had generously opened its doors to tens of thousands of displaced Palestinians. It remains the only one of the six to have a resident Soviet Ambassador. Its Fund of Future Generations ensured that a fixed percentage of oil revenues was invested for the benefit of the nation once the oil flow ceased. But most important of all, it led in opening the way to popular participation in Government through the part-elected National Assembly and through its liberal press laws which allowed a range of lively and varied local newspapers.

The ruling al-Sabah family appeared to appreciate the inevitability that its economic affluence and partly improved educational facilities had created demands by members of the public for a constitutional role in the politics and administration of the nation. The decision by Sheikh al-Ahmed al-Sabah, the Emir of Kuwait, to suspend the National Assembly and impose press censorship is therefore a double blow. Not only does it curtail the possibilities for Kuwaitis to share in the process of government, but it will be used as a pretext by others not to embark on similar experiments.

Serious sabotage

The justification has been that there was a lack of co-operation between the legislature and the executive, and that the twin pressures of the neighbouring Gulf war and the collapse in the price of oil created a situation which could only be answered by a period of direct rule.

Undoubtedly, by the standards of the Gulf, the National Assembly was unco-operative. It challenged ministers to explain their actions and sought to highlight areas of incom-

Now Europe may be ready to strike back

THE STOCKBROKERS gathered a few days ago in the smart London offices of CAP, one of the UK's few computer software houses with a full Stock Exchange listing, were worried and needed urgent reassurance.

Was the UK overseas industry really about to be wiped out by its overseas competitors? They wanted to know.

Their immediate cause for concern was the publication last month of a scathing report on British software from the Advisory Council for Applied Research and Development (Acad), a Cabinet Office body with a wide-ranging brief to investigate and comment on UK technology.

The report listed numerous apparent weaknesses in the UK software business and went on to predict its imminent decline: "If the UK industry does not more vigorously compete in the world market, encouraged by government action," it warned, "then within 10 years only Ministry of Defence supported firms will remain."

There is no question that software, the list of instructions which when converted into electronic impulses control the operation of every computer and computing device—is a major key to success in modern technology. Failure to master software problems can damage a company badly.

ITT, for example, which last week agreed to merge its telecommunications interests with those of Comptel, a French d'Electricite de France, proved unable to adapt the software controlling its innovative System 12 digital telephone exchange to the US market. That failure was a major factor in the decisions leading to the merger.

The Acad report provoked lurid headlines in some UK newspapers and concerned Government ministers, including Mr Paul Channon, the Secretary of State for Trade and Industry.

The UK software industry, however, reacted to the report with disbelief, outrage and anger, condemning it as confused, simplistic and just plain wrong.

Mr John Ockendon, president of the Computing Services Association (CSA), the industry trade organisation, observed drily in a note to the Department of Trade and Industry: "It has united all the companies in the UK software industry in their resolve to correct this wrong impression before it damages the business confidence of our customers and our

People Express in a spin

People Express, or "People Distress" as the outspite US airline is sometimes jokingly referred to, gives the impression of being run on a shoestring.

Its founder, Don Burr, aged 45, earns only \$69,500 a year. The pilots' and cabin crew's baggage. On a crowded day People's terminal at Newark airport, New York, resembles a human zoo.

Nevertheless, the airline sports a very impressive board of directors for such a operation. Bill Hambrecht, aged 51, president of Hambrecht and Quist, the west coast investment bank, helped bring People Express to the stock market when it had just three planes. He continues to play a key role behind the scenes.

Standard bearer

With oil prices now dipping below \$10 a barrel, it is understandable that the authorities are becoming more anxious about military and economic threats to the stability of the nation. But it is far more questionable whether the answer to those problems is to exclude an equally concerned public from responding to the challenges.

The Emir has pledged that the suspension of the National Assembly is only temporary—it was previously suspended for four years from 1978—but such is the political and economic malaise throughout the Arab world that few advocates of a democratic system are optimistic about its early reinstatement.

For the foreseeable future the Gulf will be without a standard bearer for democratic experiment. This absence will lead weight to those, both inside and outside the Arab community, who argue that the ruling families are fundamentally incapable of sharing power and that they have failed to appreciate the social impact caused by the last two decades of affluence. The best answer to that criticism will be for the Emir of Kuwait to live up to his pledge to restore the National Assembly and press freedoms as rapidly as possible.

Alan Cane looks at prospects for the world's software industry

Vendor	Country	1985 Worldwide Revenue	Speciality
Cap Gemini Sogeti	France	247.3	Public company
Scion International**	UK	143.4	British Petroleum
CSI	France	129.1	Alcatel-Telecomp
Sema Meta	France	128.6	Public company
Dat	UK	121.8	Tax Advice Co-op
CSI	France	102.1	CEA/BNP (nuclear power industry)
SESA	France	96.2	CSG/Management
Thom EM***	UK	94.1	Public company
GCNC	France	90.3	Printed/Management/Public
Videns	Netherlands	88.3	Private company
SGE	France	80.8	Société Générale
Sigau	France	79.9	Credit Lyonnais/McDonnell Douglas
Logica	UK	67.2	Public company
Telestyles	France	65.3	PTT
SDL	UK	64.2	Public company

A large and valuable segment of this market, worth perhaps \$3bn of the \$10bn spent on software in Europe last year, is virtually closed to software companies because it is in the province of the computer manufacturers themselves.

This is "systems software," software written to manage and control the operations of the computer itself. They are known by acronyms like IBM's MVS/370 or ICL's VME which mean a lot to the programmers who have to work with them and very little to everybody else.

They are large, complex and vastly expensive to produce. Once manufacturers gave them away free. As the margins in hardware eroded they started to charge for it—and the price went up each year. Ian Mackintosh, a well-known industry analyst, notes in a book published last week: "About

that has been the secret of their survival. The commentators who predicted the imminent decline of the custom software business were confounded. Mr Philip Hughes, chairman of the UK software company Logica, said the Royal Society recently: "The role of a custom software company shows no sign of declining. Far from it. The commentators, in making their forecasts, may have misunderstood the real role of this kind of company. It uses packages as and when appropriate and increasingly uses system kernels."

In other words, European software houses had learned not to re-invent the wheel each time they wrote a custom system. A system kernel is a module, a pre-written piece of software which can be incorporated in many programs to carry out common tasks.

The Europeans over the years have become particularly adept at linking modules together in different patterns to persuade their customers they are getting something unique. To draw crude analogy, the customer may be getting a suit from a multiple tailor, but the hand-stitching on the lapel comes from a specialist.

The packages versus custom software turns on this point. Although the packages market continues to grow, there are signs both in the US and Europe that the rate of growth is slackening, especially where the very large packages are concerned.

Mr John Ockendon, of the UK CSA, noted: "The software product market is not now growing at the high rates it experienced in the early 1980s... many of the American software product companies are in difficulties and further resistance to the use of packages is expected in what the Americans are currently describing as 'the industry slow down'."

This is at least partly because the major companies which are the prime customers for large packaged software are becoming increasingly knowledgeable about information technology. They are looking for competitive advantage from their data processing and are no longer content simply to have the same system as the competition down the road. They want something special and are prepared to pay for it.

So a large and growing part of the overall market is simply not available to Europe's independent software companies. And no amount of coercion from governments will take them into head-on competition with the hardware manufacturers.

Cost is one factor. ICL's VME may be, as managing director Peter Bonfield claims, the best operating software in the world, but it cost the company over 10 years some \$300 million in development costs, not including machine time.

Commercial sense is another. Mr Michel Berty, general secretary of CAP-Gemini-Sogeti (CS), Europe's most successful software house, says he would

a quarter of the total software business currently resides with the hardware manufacturers themselves, and as software costs increase inexorably, this will probably rise to at least 50 per cent."

The 266 companies which make up the UK CSA alone had combined annual revenues of over £1.4bn in 1985 and were expanding at an average growth rate of over 20 per cent a year.

Revenues in 1985 of the largest European companies like France's CAP-Gemini-Sogeti (\$247m) or the UK's Scion International (\$143m), easily match the top US independents Lotus Development (\$226m) and Gullnet (\$182m).

This paradox, which is at the heart of the question of European competitiveness in world software markets, turns on the diversity and complexity of the software business.

Software is not a seamless web, but a heterogeneous collection of computer programs of different types, created for different purposes, manufactured in different ways and marketed through a diversity of outlets.

Toryble rowers

Our valuable editorial secretary Jackie Shorey confesses to being badly bruised.

She used to pull a noble oar in a London University eight. Now she has been squeezed into a boat as a supernumerary to coach a crew of House of Commons secretaries and their oars in preparation for The Speaker's Summer Regatta, to be held on the Thames outside the Houses of Parliament tomorrow.

The Commons secretaries' team is in the betting as Amansuensis ("One who writes from dictation"). They are confident of rowing strongly enough to dictate to many of their masters.

Members of Parliament and all those walk-on players who keep the democratic system going—office staff, policemen, journalists, lobbyists, fixers, and influencers—are giving tremendous support to this summer diversion planned by Mr Speaker Bernard Weatherill.

About 100 boats will take part sponsored for £1,000 apiece. The money is to go towards restoring and cleaning Parliament's own

Men and Matters

Recently after three days of hard meetings the airline announced the sale of its recently-acquired Frontier Airlines subsidiary at a knock-down price of \$146m to United Airlines, in a desperate bid to raise some \$200m and meet its interest payments—which are close to \$250,000 a day.

The move indicates that the rest of the board is beginning to make its views felt on the entrepreneurial Burr. Meanwhile, People Express's abrupt changes in strategy over the past year have left its customers bewildered, and made some business school gurus who have been holding the airline as "the most interesting company in America" shut up abruptly.

Suicidal sets

It sounds like the end of the road for the car radio/cassette thief.

Trevor Taylor, managing director of Austin Rover, has disclosed that the company is running trials of new Phillips units which should be the ultimate deterrent against theft.

Why? "Simple," says Taylor "take 'em out and they self-destruct... Let me hasten to reassure you that there is no risk of exploding Metros or Montegos

This need to be different is well understood by European companies. CGS, for example, has never had any interest in the packages market: "France is a country where we have 1,414 different kinds of water tap," says Mr Berty with a shrug.

Furthermore, it is becoming cheaper and easier to write this module-based, semi-custom software as a result of the new availability of computer programs—write computer programs—write computer programs—the so-called fourth generation languages and systems building tools.

So, to some extent, the European approach to software has been vindicated. But the industry has no cause for complacency.

European software companies have done well servicing national needs but they remain a collection of small, entrepreneurial groups with true international presence or direction. They find it difficult to sink their differences in the coherent strategy to achieve the economies of scale necessary to take on the Americans.

So, favour still penalties on software imported from outside the Common Market: "a tariff barrier from Turkey to Murmansk" as one put it. "Paradise any software there 'colour' is spelt 'color'."

There are even arguments over whether European companies should sling it out with the Americans as success as critical, others as mere machismo.

There is agreement, however, that Europe as a total market is equivalent in size to the US and that the EEC and individual governments should be doing their best to encourage the development of pan-European software packages aimed at areas such as transportation and distribution.

There is also agreement that the enormous purchasing power of the European governments should be directed more effectively towards the indigenous software industry. The French set the example here—and the French industry is the strongest in Europe.

There is a desire—and this is an UK complaint—for more government contracts let out-of-house to independent software houses rather than managed in-house by government software teams.

These measures, it is said, would strengthen the position of companies like CGS and GSI of France, and Scion, CAP and Logica of the UK, which are already able to compete internationally. CGS, for example, while it denies it is dependent on government work, benefited enormously from winning prime contractor status on the French telephone authorities' electronic telephone directory project.

Breaking into the US, a massively expensive endeavour, is another story.

There have been many attempts and many failures. Finding a local "champion" has proved the most successful route. CAP-Gemini-Sogeti took over the US companies D&SD and OCA Computer Corporation. But such ventures are best tackled from a position of strength rather than weakness. And enlightened government procurement is seen as the key to that strength.

Steel's appeal

Martin Llowarch, aged 50, who will become chief executive of British Steel in August, has an impeccable Welsh ancestry although he was born in the Midlands.

It was in South Wales, as financial controller of the strip products group—one of the two big BSC groupings—that the former Coopers and Lybrand accountant proved himself a potential candidate for the number two job to BSC's steel-maker chairman Bob Scholey.

Under Llowarch's operational control BSC will not be able to afford to back even briefly in the sunshine of its recent return to profit for the first time in 10 years.

He says, "As the steel business moves towards freer markets and the quota-free days dawn we must get our marketing strategies right, and work out all the aspects of customer need."

Llowarch joined the corporation in 1968 and was heavily involved in international affairs in his early years.

Not until BSC is financially secure can the government's target of ultimate privatisation be attempted. Llowarch was not prepared yesterday to speculate on when that might be.

Double Dutch

A reader with a Dutch double-barrelled name was too impatient to repeat it for every occasion of his family when booking a Greek package tour. He wrote "ditto" in the spaces provided.

His daughters were not amused to find themselves travelling as the Misses Ditta.

Observer

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THE PROPOSITION 13 TAX REVOLT

California counts the cost

IF THE current vigour for tax-cutting in industrialised nations started anywhere it was in California in 1978. The state's Proposition 13, with its deep cuts in property taxes and a permanent limit on future increases, triggered a wave of popular tax revolts across the US.

The mood it encapsulated took Ronald Reagan to the White House two years later, and was a key factor in creating the political climate which allowed him to introduce deep reductions in federal taxes.

Now, eight years on there are signs that California is becoming uneasy with the legacy of "Prop 13" and the string of other measures to curb taxes which allowed him to introduce deep reductions in federal taxes.

Businessmen and officials in President Reagan's home state are beginning to question how much longer its deteriorating physical and social infrastructure can survive the immense pressures generated by a combination of tight spending limits, federal aid cutbacks and a rapidly expanding population of rich-poor immigrants.

The coalition of right-wing political activists, businessmen and middle-class taxpayers which marked the original revolt, however, now looks less cohesive.

Public concern over the school system, unrepaid roads, and rising crime has raised the possibility that, once the elections are over, politicians will consider increases in those taxes which escaped the rigid limits of Proposition 13.

The decline in public services is startling. California's economy, long among the richest and most dynamic in the US, has stagnated



Howard Jarvis started the tax revolution; now there is a backlash against deteriorating services

the 1982 recession continued to flourish relative to the rest of the country. In contrast, the standards of many of its public services have plummeted from near the top of the national league to below the average.

The state now spends less than the national average on education and, according to Mr John Vasconcellos, a Democratic leader in the Sacramento state assembly, class sizes are the largest of any mainland state. Despite its huge and brilliantly-engineered highway system, California's spending on roads has also fallen to near the bottom of the national league.

"The cost of Proposition 13 is a state unable to sustain itself," says Mr Vasconcellos, who is chairman of the assembly's powerful Ways and Means Committee. "It saddens, worries and embarrasses me."

The impact is particularly vivid in Los Angeles, a sprawling conurbation with a population of 8m or so, swollen every week by thousands of new immigrants, many of them poor and jobless "legals" from Mexico.

The number of people living on the streets, put at 25,000 in 1984, is the largest of any city in the US. About half of Los Angeles's 6,000 miles of roads are overdue for repair. Subsidised medical care for the poor has been cut back dramatically. The community college system, a pioneering attempt to provide universal tertiary education, is crumbling.

Mr Keith Courie, the City's chief administrative officer, is pessimistic about the prospects for improvement. "When you can't adjust your taxes to any extent you just ride with the economy. It has cut out all ability to do anything like long-

range planning," he says. Mr Courie is bitter about the city's inability to aid its poorest citizens. "A civilised society should also be responsible for the people who are not competitive. We are only as good as how we treat our weakest link."

Overall, there has certainly been no supply-side miracle here, nor any spontaneous resurgence of the private sector to provide the services previously administered by state and city governments. Lower taxes have simply meant poorer public provision.

Ironically, Proposition 13 has also weakened local democracy by increasing the dependence of local authorities on the state government, which in the immediate aftermath of the measure used its huge accumulated financial surplus to bail out city and county authorities. That surplus lasted only three years and the state's budget has been effectively frozen in real terms since 1981, despite an estimated increase of 20 per cent in California's population, including illegal immigrants.

It will face a further crunch next year when spending will reach a ceiling imposed by votes in 1979, with the passage of what is known as Proposition 4. This prohibits all increases in spending over and above those needed to keep up with inflation and population growth. The problem is that the US consumer price index, which was fixed as the guideline for inflation, has risen much more slowly than prices for the state's purchases, so the financial allowance for population growth has vanished.

The index (used in Proposition 4) would never allow the state to maintain the same level of services over time," Mr John

Vickerman, a senior legislative analyst for the state assembly, complains. In other words, budgeting in California has now become a zero-sum game. Any improvement in one service must be paid for by cuts in another.

Mr George Deukofsky, the Republican state Governor, insists that California will have to abide by the limit, focusing on selecting the right priorities within the budget rather than increasing overall spending.

But as business sees the prospect of further cutbacks in highway and other capital allocations, some of its leaders are becoming restless. The California Taxpayers' Association, which lobbies on behalf of industry and commerce, was a strong supporter of Proposition 4. Now Mr Richard Simpson, its executive vice president, voices concern over the outlook for public investment and talks of the need for "pragmatism."

None of this persuades Mr Howard Jarvis, the driving force behind Proposition 13 and still at age 85 a fierce campaigner for even less government. Waste in local government, he insists, "is thrown up like confetti. It is endemic" and Proposition 13 "is as near to perfection as any law in the US."

For many others, however, the tax-cutting experiment has failed rather than nurtured the pioneering spirit which California apart from the rest of the US. California, says Mr Vasconcellos, "is a state with the richest array of human, economic and scientific resources in the world," but one which is threatened by policies that are "mis-spirited and counter-productive."

Philip Stephens

OIL PRICES

Not yet at rock bottom

By Max Wilkinson, Resources Editor

ONLY SIX months ago oilmen were sagely telling each other that the price of a barrel might fall as low as \$20.

Now after a few wild lurches in the spring oil is down to half that level—its lowest for 12 years. Many people now believe it could fall into that uncharted territory where prices genuinely hold the ring between supply and demand.

After allowing for inflation, the fall in spot oil prices from \$30 a barrel in November to \$10 now is almost exactly equal and opposite to the rise during the first oil crisis in the winter of 1973-74.

However, the recent turmoil in the oil markets is not just a reverse re-run of the events 12 years ago, when the Organisation of Petroleum Exporting Countries first shook the world economy with the power of its cartel.

One of the main differences has been the extraordinarily wide swings in the oil price in recent months, apparently for rather slender reasons. Since the first week in April when the spot price for Brent crude first touched \$10 a barrel, oil prices have risen and fallen by as much as 50 per cent.

Perhaps more important—at least for the oil industry—is the fact that prices have now crossed the \$10-a-barrel line (between \$10 and \$15 a barrel) which marks the division between absolute misery and survival for those oil companies which have invested on the expectation of rising or at least stable prices.

Even the major oil companies like Shell, Exxon and British Petroleum would be in a highly uncomfortable position if \$10 a barrel were to emerge as an average rather than a "floor" for oil prices. In their scramble to resist a world of lower prices in the spring few oil companies or their bankers gave much thought to the consequences of a price lower than \$15. For companies with high borrowings and a dependence on exploration and production, the figure represented the mouth of a cavern into which they scarcely dared peer.

So when the price dipped below \$10 on April 1, many in the industry regarded it as a price lower than \$15. For reaction to Opec's latest failure to agree a credible regime of production cuts. This view seemed to be supported by the rebound to around \$15 by the beginning of May.

Now the mood has changed again. As one executive of a major oil company put it: "We have seen that it is very unlikely that Opec will be able to reach agreement, so there is going to be steady downward pressure on prices as a result of the over-supply of crude. I'm pessimistic. I don't see why prices shouldn't go down to \$5, at least for a while. That is

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There may be a limit therefore, to the extent to which all companies are prepared to cut each others' throats in the interest of gaining market share. In the UK petrol market there has recently been a strong attempt by the major companies to regroup their forces to stabilise prices. However, it is by no means clear that they will succeed in the face of falling spot prices for petrol.

It seems unlikely that oil companies can do much to brake the slide in prices so long as Opec producers continue to pump out more oil than the consumers need. The key question, therefore, is whether the cartel can be reformed at its meeting in Geneva at the end of the month or perhaps at yet another meeting after that.

Opinions are divided. Some believe that disension between the militant Opec group (Iran, Iraq and Libya) and the others led by Saudi Arabia and Kuwait is still too great to be bridged. But others observe acutely that the "pain threshold" in terms of lost revenues has now almost been reached. On this view, Saudi Arabia's decision to boost production to about 5.2m b/d in recent weeks—about 1m b/d more than its official quota—is home the lesson that in Opec oil man is an island and none wins a war for market share.

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Deflated by US consumer price index

Competition and costs

From Dr E. Goldberger

Sir,—It is regrettable that a departure from his customary constructive and instructive contributions. Sir John Britton (July 7) gave the impression that rising profits were as much to be blamed for reduced competitiveness of labour as the contribution of rising costs. It is a false impression that rising profits were as much to be blamed for reduced competitiveness of labour as the contribution of rising costs. It is a false impression that rising profits were as much to be blamed for reduced competitiveness of labour as the contribution of rising costs.

The same Bank of England Bulletin from which Mr Britton reproduced a chart also states and deplores that earnings in manufacturing have risen by 8 per cent in the first quarter 1986 and unit labour costs by 5 per cent. In the same period, unit labour costs in the US, Japan, Germany and France...

He appears to be fairly satisfied that UK output prices are now rising by only 4 per cent against 5 per cent in 1985. He goes on to say that unit prices had fallen by 24 per cent in May 1986 after -7.1 per cent in January 1986. This "improvement" in output prices at 4 per cent, compares with US's -2 per cent and Germany's -2 per cent and Japan's -2 per cent.

The Chairman, the Bank of England and Sir Terence Beckett of the CEI are trying to highlight this very dangerous situation. It is astonishing that the same questions are not shouted from all rooftops and hammered home by the media.

Through the usually short-sighted opposition of the trades unions and widespread complacency of management our manufacturing industries are becoming uncompetitive—and some sections may already be so.

Earnings rise and unit labour cost so considerably in excess of competitors' will not just reduce essential services employment growth. They may lead us into recession. Instead of stimulating employment by moderation they will cause more unemployment. They are now the principal engine of higher inflation. Can devaluation be then avoided? The markets are not so blind.

(Dr) Edmund Goldberger, 20 Albion Gate, W2.

Exchange control

From Mr L. Jackson

Sir,—Mr Guscott's proposal (July 7) that the Government should reimpose controls on investment abroad, with a

Letters to the Editor

From Mr H. Worman

romie to remove them if selected, is ingenious but not well thought out. It would simply bring forward the gristly day when the issue of a Labour Government is raised. It would be taken by foreign holders of sterling as a pioneering attempt to provide a sterling alternative to the many British companies abroad unnecessarily.

Apart from the fact that the UK would be in breach of its Community rules freedom of capital movements, outflows are to some extent offset by large inward investments in the UK by American, German, French, Japanese and other companies. These are outflows from the countries concerned, which might reduce adversely the UK's balance of payments.

As John Guscott said to the House of Commons, "You cannot be serious!" Leonard A. Jackson, Spelthorpe Road, Langton Green, Kent.

Urban development corporations

From Mr M. Horne

Sir,—Your article (July 7) on Nicolas Ridley's proposals to set up more urban development corporations contains the statement: "Local councils lose all their control over areas designated as UDCs," and you expressed a similar view in your leader on July 8. This may be an accurate comment on what has actually happened in the case of London docklands and Merseyside, but it is not correct to suggest that it would necessarily be the case in any future UDC designation.

The Local Government Planning and Land Act enables the Environment Secretary to set up urban development corporations with very wide ranging powers, also enables him to limit those powers in any way that he considers appropriate over either the whole or the designated urban development area or in certain parts of it. So the Act actually provides a great

deal of flexibility in the way that UDCs might operate. Each one which might be set up could have its powers limited or extended according to the particular circumstances of the location for which it is responsible and in agreement with the local authority(ies) within whose areas that location falls.

I believe that it is the flexibility which the Act allows which is an important attraction in making further use of urban development corporation powers and if this were made clear it might lead to a more receptive attitude on the part of some local authorities who are presently set back on the idea in spite of the immense inner city problems with which they are trying to cope.

Martha R. Horne, The Old Rectory, Acton Scott, Church Streeton, Shropshire.

European air fares

From Mr A. Lucking

Sir,—Mr Collis Marshall (July 13) underlines British Airways' support for a more liberal regime in Europe. One area where success has been achieved already is in averting discounts to passengers with inter-continental tickets, benefiting around 40 per cent of those flying from London into Europe. BA carries around 3m such passengers, and is the consequent reduction in yield averages £20-£25, the amount involved is commensurate with the airline's 1984-85 European operating surplus of £3.4m. So profits are being transferred out of Europe, where the best is on, while the Atlantic figures benefit markedly.

A few years ago, the European airlines published figures showing aggregated losses on the routes under 400 km, caused by these inter-continental "protecting" discounts, and on the routes over 400 km, because the "anti-charter" fares are too low. On these long routes, 80.7 per cent of the tickets were discounted.

The key fact is that to maximise profits, the European airlines like best exploited as a "boon" for the long haul network. Yet from the viewpoint of our European business communities, the inter-continental passengers should yield the full applicable local fare, which could then be reduced for all.

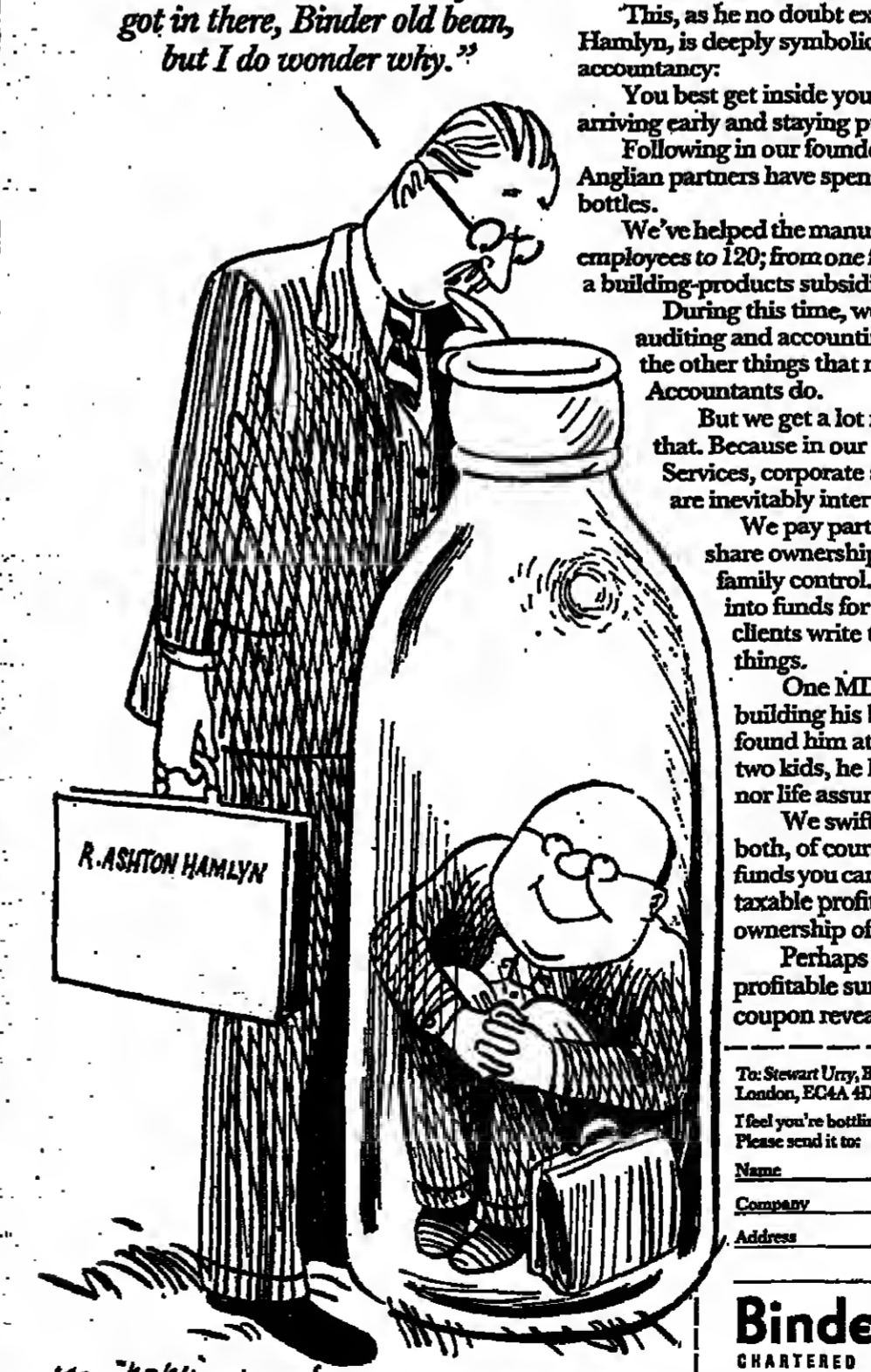
A. J. Lucking, 20 Broad Court, Bow St, WC2.

Immobilising Sterling in the City

From Mr N. Purchase

Sir,—I have just seen my first "down Rover Sterling" in a season (immobilised outside a Mansion House). Is this a "zoo?" J. Purchase, Woodberry Down, Wood, Essex.

"I don't much care how you got in there, Binder old bean, but I do wonder why."



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FINANCIAL TIMES

Tuesday July 15 1986

POSITIVE
That's BTR

Peter Bruce looks at Bonn's poor performance despite healthy books

Europe's power pack struggles to grow

WHY WON'T West Germany's economy grow faster? Prices are falling and inflation has, officially, not existed for the past three months. The country is heading for an embarrassing record trade surplus of DM 110bn (\$50.3bn) this year, and the Government's own books have seldom been healthier. The West German economy is supposed to be Western Europe's power pack, but it will probably grow by a meagre 2.5 per cent this year.

For the opposition Social Democrats (SPD), fixated for the past two years by record unemployment figures and cowed by the Government's success with inflation, the economy's failure to stand up straight this year has come as a welcome bonus before next January's general elections.

The poor performance so far - given that the right conditions for growth, as far as the Government is concerned, are in place - has also made it less likely than ever that Bonn will agree to use its huge external surpluses to stimulate growth at home (and, naturally, imports) and act as a locomotive to the world economy. What growth exists may be a far more delicate flower than the Government is letting on.

All the evidence is that the failure of the economy to react with more vigour to falling prices has taken the Government aback. Only last month, Mr Otto Siecht, state secretary in the Economics Ministry, and a man of unbridled optimism, was talking of growth of 3.5 per cent this year.

The fact that gross national product fell 1 per cent in the first three months of this year, from the final quarter in 1985, is written off by the Government as an aberration. The weather was bad, runs the excuse.

Outside of government, however, the sceptics are having a field day. The Deutsche Institut für Wirtschaftsforschung (DIW), one of the country's five leading economic institutes, says in its latest report that the maximum growth Chancellor Helmut Kohl can expect this year is 2.5 per cent.

The less adventurous West-Deutsche Landesbank has also said recently that the more conventional target, 3 per cent, is probably also no longer achievable, and the prestigious IFO institute in Munich is now forecasting growth of between 2.5 and 3 per cent, a full point down on its stand of a few months ago. The DIW, warning that it is not

good enough to blame the weather for the poor start to the year, says: "The economy of the Federal Republic in mid-year finds itself in a transition phase between a short-term, though unexpectedly strong, breakdown in growth and a new economic revival."

Far more important, it says, the economy was badly hit by weaknesses in its developing country export markets, particularly those in the Middle East, where falling oil prices led to orders being lost or cancelled.

Not even that sounds convincing, and the DIW is unable to resist alluding, as the Government always does, to the better things, the "revival", that must inevitably come.

The conditions for growth are there, the institute argues, and have remained constant despite the poor start exports are still growing, though perhaps not as fast as 1984 and last year, the price of oil is unlikely to change dramatically, domestic money supply growth is being maintained at the top of the Bundesbank's target range - some 6 per cent - interest rates, at around 6 per cent, are stable, and the 1986 wage round ended with reasonable settlements of around 4

per cent. So what is the problem? The difficulty seems to be that although export growth is flattening out, as expected, the domestic market is not taking up the slack fast enough. "The hoped-for transition from the export-led economy up to autumn 1985 to one dominated by domestic growth has not happened," the DIW says.

Exports made up more than a third of total GNP early in the year, well above total investment at around 20 per cent of GNP. For the moment, the Government and economists comfort themselves with forecasts of a 10 per cent rise in capital investment in West Germany this year. But the same optimism appeared last year, when this spending actually fell.

It is unlikely that 1985 will repeat itself as dramatically, but the Government, it seems, may be reckoning without the perversity of its electorate. Has the success of Mr Gerhard Schröder, the Finance Minister, in fighting inflation dulled the senses?

It may just be possible that corporations faced with major spending decisions, and private consumers faced with slightly smaller ones, are saying to themselves that if

prices are indeed falling, would it not be better to wait until investment becomes even cheaper?

A surge in domestic spending, promised now for more than a year, might actually require a slight bump in inflation's downward curve to spark it off.

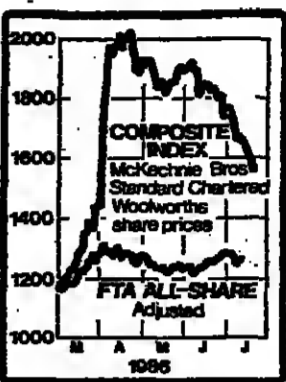
There are, of course, voices calling for calm - 2.5 per cent in 1986 is perfectly respectable, they say. It has also become fashionable to argue that the country is lucky to have got so far into an economic recovery without having had to rely yet on the domestic market.

The Government, once so bullish, is bound to be slightly embarrassed about the delay in growth, if only for reasons of ego. It can take a lot of comfort, however, from the fact that the SPD is itself locked in a battle over what economic policies to present to the electorate early next year.

The opposition is broadly in favour of job-creating policies, but the leadership is facing a strong challenge from the left to be much more precise and to agree to restoring the state's share of GNP to 50 per cent, which it was when the SPD last ran the country.

THE LEX COLUMN

Oil in the day's work



The petrocurrency theory of sterling has taken a hit of a battering this year, in what should have been its apotheosis. So yesterday's combination of a sliding crude oil price followed by a mini-collapse in sterling, gilts and equities may have caused sentimental traders to wipe the old nostalgic tear from the eye. Not that the shudder across the markets compares with the hysteria of 1985 when the unscheduled departure of an oil minister from the Opec conference table and the awful prospect of \$25 a barrel oil caused the UK Government to put up interest rates by 4 points.

More likely, the petrocurrency disease never lost its virulence, but was only obscured by the simultaneous correction to a heavily overbought dollar. During the oil price drop to \$10 a barrel in the first quarter, sterling did indeed lose ground heavily to the yen and the D-Mark. This time, as the oil price has fallen from \$14 to below \$9, the pound has suffered a release against the dollar too - thus re-creating, in the gilt-futures market at least, something of the feel of an old-fashioned sterling crisis.

The weakness of equities yesterday seemed almost unrelated to the oil factor. The oil sector yesterday was notable for its resilience, with Shell shares actually rising. Perhaps dealers were reworking on the old trick in which UK oil companies' earnings and dividends are protected from demotion by the appreciation of the dollar against sterling. They should know that, while at \$30 a barrel it took a 5c shift in the sterling dollar rate to compensate for a \$1 oil price fall, at \$10 a barrel, the companies need a 12c depreciation to protect against the same fall in the oil price. And again, the sale of Dairy Farm, one of the largest food manufacturing and retailing businesses in the Far East, is not very odd in itself or in terms of Land's recent history of debt reduction through asset disposals.

But the coincident resignation of a chief executive universally credited with Land's recovery is strange.

Having recovered to the point where asset values and net debt are receding from each other towards a 2:1 ratio, the sale of Dairy Farm looks less like a sage 15 per cent debt-reduction exercise and more like the renunciation of valuable cash flow without which Land would have been truly stuck a year or so back. If the stocks, too, are sold or demerged as remains possible, Land will contract into a vulnerable investment trust whose assets consist of bits of island colliery about to change hands.

Were Dairy Farm sold to shareholders at book value of HK\$1bn, the goodwill accrued to them would be spectacular. Dairy Farm earned around \$365m before tax in 1985 and is growing at a rate to justify a double-figure multiple. It was not at all surprising that Land's London share price was trading yesterday at a premium to the Hong Kong closing - and even less so that Jardine Matheson and Jardine Securities, speaking for about 35 per cent of Land's equity, were up there too.

Having suffered miseries from its cross-holding in Land, Jardine now seems intent to make it all up. It has reduced the risk of a back-door takeover by transferring half of the Land cross-holding at a discount to Jardine Securities and now looks set to pick up a dividend payment in Land's international operations when its own have been doing none too well. Perhaps this distressed Land's chief executive and perhaps not.

achieving the agreement of either Bell Resources or Elders to an acquisition except on their individual and, presumably, contradictory terms. For the moment the market is expecting the most likely outcome will be a bid by BHP for Elders very much on Mr Elliott's terms: Elders share price has risen 10 per cent against a falling market in the last week. The whiff of a solution to an intolerably unstable situation makes BHP's unaided results a somewhat academic study. For the record, BHP earned A\$688m for the year to May, or a bit below the directors' forecast before the catastrophic fourth quarter on the oil side, and could probably make A\$850m this year with a bit of help from a falling currency.

Post-bid blues

One of the most obvious plays of any bidder in the last days of an offer is to warn its victim's shareholders that the value of their shares will fall if the takeover fails. A bidder may be willing to pay a certain price for control of a company which would not be justified in the secondary market without the bid. Investors who refuse to be bamboozled into accepting or selling through the market to the offeror are implicitly agreeing to suffer that penalty. A singular facet of Standard Chartered's defence against the \$74 offer from Lloyds Bank is that so few remained to face the music: the 57p fall yesterday to 71 1/2p shows why.

But in most cases, loyalists will still be better off than they were prior to the bid or, in these speculative days, before the rumour which preceded the bid. The offer can draw attention to assets undervalued by the market, and the defence may include profit and dividend forecasts exceeding earlier market estimates justifying a higher share price; though the market's current failure to capitalise the earnings and dividend growth proffered in mid-bid by Woolworth is a cautionary example.

Hongkong Land

It is hard to know what to make of yesterday's statement from Hongkong Land. The mooted demerger of Dairy Farm, one of the largest food manufacturing and retailing businesses in the Far East, is not very odd in itself or in terms of Land's recent history of debt reduction through asset disposals.

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BHP

As befits a business facing the threat of dismemberment, BHP is looking for a fourth arm. Whether it is in a position to choose which arm to add to its oil, mineral and steel limbs is quite another matter: it is hard to see BHP

London shares and £ tumble

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In addition, some City of London economists have become worried that the Government may have to increase its borrowing to make up for the loss of petroleum tax receipts as a result of lower oil prices, and fear that Mr Lawson's scope for cutting taxes in his 1987 budget may now be constrained.

Mr Stephen Lewis, chief economist at London broker Phillips & Drew, said: "The weakness in sterling and gilt-edged prices seems set to persist as long as the view holds sway in foreign exchanges that the UK authorities are not averse to a further decline in the UK currency."

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UK gilt-edged securities fell by up to 2 points, and the FT Ordinary share index dropped 27.4 to 1,309.9. The broader FT-SE 100 share index dipped 29.1 to 1,587.3.

Thatcher and Howe to visit Moscow

By Robert Mauthner in London

MRS Margaret Thatcher, the UK Prime Minister, has accepted an invitation to visit the Soviet Union, it was announced yesterday following talks in London between Mrs Thatcher and Mr Eduard Shevardnadze, the Soviet Foreign Minister. The date of the visit will be arranged later.

The talks, which lasted more than two hours and followed a three-hour meeting between Sir Geoffrey Howe, the UK Foreign Secretary, and Mr Shevardnadze, marked the end of a long freeze in Anglo-Soviet relations.

British officials, who described the talks between Mrs Thatcher and Mr Shevardnadze as "business-like", said it was clear that relations between the two countries were now "fully operational" after last year's setbacks. The main setback was the fit-for-fact expulsions of diplomatic staff and journalists in October last year, which were initiated by Britain but reciprocated by Moscow.

Mr Shevardnadze handed to the Prime Minister a message from Mr Mikhail Gorbachev, the Soviet leader, on current arms control issues, the contents of which have not been disclosed, and to which Mrs Thatcher will reply in due course.

Sir Geoffrey has also accepted an invitation to visit the Soviet Union next year, and his discussions with Mr Shevardnadze were described as "very relaxed and constructive."

While both meetings focused on arms control problems, they also covered the whole range of bilateral and East-West relations.

Sir Geoffrey and Mr Shevardnadze agreed that contacts between Britain and the Soviet Union, both at ministerial and official level, should be organised on a more regular basis. In particular, experts from the two countries will shortly meet to discuss ways of combatting international terrorism.

It was also agreed that a special tripartite conference bringing together government officials, academics and other experts from Britain, the Soviet Union and the US should be organised in the near future to discuss economic and industrial co-operation in the 1990s.

Sir Geoffrey and Mr Tim Renton, Minister of State at the Foreign Office, told Mr Shevardnadze that the British Government attached the highest priority to the conclusion of a chemical weapons agreement.

Nixon in Moscow, Page 3

Thatcher hopeful on sanctions fight as games boycott grows

BY PETER RIDDELL AND PHILIP BASSETT IN LONDON

MRS MARGARET THATCHER, the UK Prime Minister, believes she has succeeded in winning the argument against the imposition of general economic sanctions against South Africa and in therefore scaling down expectations ahead of the Commonwealth leaders' summit in London early next month.

This is despite the clear disagreement with her views, and the belief in the inevitability of sanctions, expressed not only by Commonwealth leaders like Mr Brian Mulroney, the Canadian Prime Minister, but also by senior members of Britain's ruling Conservative Party.

There was also growing evidence yesterday that more nations, probably including India, would join the boycott by some black African states of the Commonwealth Games in Edinburgh, Scotland, next week unless Mrs Thatcher accepts the need for sanctions.

As a leader of the non-aligned world, India, if it decided to stay away from Edinburgh, would deal a severe psychological blow to the games and to Commonwealth unity.

In an attempt to put further pressure on the UK Government to impose sanctions, Britain's Trades Union Congress (TUC) yesterday called on all its 9.5m affiliated trade unionists to boycott South African-produced consumer goods.

Some senior Conservatives, including Foreign Office ministers, are hoping for a softening of Mrs Thatcher's tone when she answers questions in the House of Commons today.

Sir Geoffrey Howe, UK Foreign Secretary, may make a Commons statement today about his visit last week, as president of the EEC Council, to black African states. He is to speak in the debate tomorrow on South Africa initiated by the opposition Labour Party.

Mrs Thatcher's allies argue that her recent diplomatic efforts had been intended to clarify and shift the terms of the international debate towards a concentration on special measures rather than punitive sanctions.

Several senior Tories believe, however, that the Prime Minister's strong condemnation of general sanctions as immoral has hurt the distinction with special measures and isolated her politically.

Party managers are worried that Mrs Thatcher's blunt words have raised expectations among the Tory rightwing that she will not agree to measures against South Africa. There could therefore be divisions within the parliamentary party if such action had to be taken.

The TUC's move, announced at a special briefing conference in London for its 89 affiliated unions, comes in advance of a delegation to South Africa later this week headed by Mr Norman Willis, TUC general secretary, and Mr Ron Todd, chairman of its international committee.

Mr Willis said he was hopeful that union members would respond to the TUC call for a consumer boycott. "There is a good case to do so, whether it is a £1bn investment on the food used in company canteens."

The TUC intends to step up its advertising campaign on South Africa, which has so far cost more than £20,000, and it is to make a fresh call for funds from affiliated unions.

Strong opposition to the imposition of sanctions came yesterday from Sir Leslie Smith, chairman of the British Industry Committee on South Africa. He told MPs at Westminster that sanctions would "leak like a sieve."

The best way of encouraging political change in South Africa was, in his view, by increasing black standards of living, skills and education.

Mixed response to strike call, Page 4



Margaret Thatcher

Eta car bomb kills 8 in Madrid

Continued from Page 1

have done for Spanish Basques of the Eta organisation.

The decision to expel Mr Iurbe to the former French West African colony of Gabon was a break with precedent for he was the holder of a refugee card since fleeing across the border to France in 1983.

It underlined, however, the clear commitment of the French Government to rid itself of Eta suspects. In the past 2 1/2 years, 36 Eta members who were living clandestinely in south-west France have been deported to a series of locations, including Ecuador, Panama, Togo and the Cape Verde Islands.

Mr Iurbe's deportation was strongly criticised in Basque nationalist circles over the weekend, for the charismatic Basque separatist was held as the sole Eta leader capable of negotiating an end to Basque terrorism with the Madrid authorities.

Members of the radical Basque party Herri Batasuna, which acts as Eta's political front and which returned five Congressmen to the Madrid parliament in last month's elections, claimed that Mr Iurbe's expulsion had closed all avenues towards a settlement in the long-standing Eta problem.

The bomb blast yesterday appeared likely to harden opinions in political circles against Eta.

Mr Felipe Gonzalez, whose Socialist party won an outright majority in the June polls and who will certainly be selected by the King to serve a second term as Prime Minister, is now likely to place the eradication of Eta high on his list of priorities when he makes a scheduled investiture speech next week.

Mitterrand will not sign decree

Continued from Page 1

ing their global market share.

But the Government has also incorporated a type of "golden share" arrangement to protect control over five years in sensitive, oil, arms, arms and electronics groups.

Attempting to limit further the access that foreign groups would have to French companies, Mr Mitterrand took as his justification the recent ruling of the Constitutional Council France's highest legal body - which said that privatisation must ensure that "national independence is preserved."

President Mitterrand asserted yesterday that on this basis he was not satisfied the decree provided sufficient guarantees "that what belongs to the nation would remain in French hands." He pointed, in particular, to the vulnerability of French companies to the acquisition of their shares by other EEC concerns.

Mr Mitterrand said he wanted to see the guarantees written into a law approved by parliament. "It is up to the Parliament to shoulder its responsibilities," he said. He also made clear that he wanted the other major point on which the Constitutional Council insisted - that nationalised groups should not be sold off below the value determined by an independent commission - also included in the law.

His remarks did not suggest he was ready to negotiate over the wording of the decree.

Until now Mr Chirac's timetable had been to have the signing of the privatisation decree this week followed by the fresh appointment or reconfirmation of the heads of nationalised groups by the end of the month. The first privatisation was to have been launched in September.

The privatisation law will now have to go back to the National Assembly - if Mr Chirac chooses this course - at a moment when deputies and senators were hoping to escape for the month of August. Putting a brave face on it yesterday, Mr Alain Madelin, the Industry Minister, said that a text could be put through parliament in three weeks, a delay most observers judge optimistic.

Drafting fresh legislation to incorporate Mr Mitterrand's point over foreign control would be difficult because it could run counter to EEC law which bans discrimination in share dealings. At the same time it would establish two types of private companies in France - those into which foreigners could buy and those which had been privatised and in which foreigners' stakes would be indefinitely limited.

But Mr Mitterrand acknowledged that he would be obliged to sign a law that was presented to him in a similar form as the present decree.

London shares and £ tumble

Continued from Page 1

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World Weather

Area	Temp	Wind	Cloud	Precip	Area	Temp	Wind	Cloud	Precip
Algeria	24	75	Partly	0	Madrid	28	82	Partly	0
Amman	23	73	Partly	0	Moscow	19	66	Partly	0
Antananarivo	21	70	Partly	0	Nairobi	22	72	Partly	0
Asmara	26	79	Partly	0	Paris	21	70	Partly	0
Bangkok	28	81	Partly	0	Rome	24	75	Partly	0
Bombay	29	84	Partly	0	Sao Paulo	23	73	Partly	0
Buenos Aires	22	72	Partly	0	Seoul	25	77	Partly	0
Calcutta	28	82	Partly	0	Tokyo	24	75	Partly	0
Cairo	26	79	Partly	0	Washington	22	72	Partly	0
Chengde	21	69	Partly	0	Zurich	20	68	Partly	0
Colombo	27	81	Partly	0					
Dhaka	28	82	Partly	0					
Hanoi	26	79	Partly	0					
Harbin	18	64	Partly	0					
Hong Kong	27	81	Partly	0					
Jakarta	28	82	Partly	0					
Johannesburg	24	75	Partly	0					
Kobe	23	73	Partly	0					
London	18	64	Partly	0					
Los Angeles	22	72	Partly	0					
Lyons	21	70	Partly	0					
Manila	27	81	Partly	0					
Mumbai	28	82	Partly	0					
Nairobi	22	72	Partly	0					
Seoul	25	77	Partly	0					
Singapore	28	82	Partly	0					
Tokyo	24	75	Partly	0					
Washington	22	72	Partly	0					
Zurich	20	68	Partly	0					

Craxi snubs Andreotti

Continued from Page 1

seized upon by Rome politicians, who warned of the dangers of a deal between Mr Andreotti and the Communists.


Mr Andreotti's mission was given a slim chance of success last night as two of the smaller parties in the five-party coalition - the Liberals and Social Democrats repeated that they would not join a government without the Socialists.

The government crisis hit the Milan bourse yesterday, where the main share index fell by 3.23 per cent, bringing the decline since last Friday morning to 5.5 per cent.

Analysts in Milan pointed out that the stability of the five-party government led by Mr Craxi over the past three years had helped the private sector to grow and to reduce dependence upon costly bank loans by replacing them with equity capital from the house. "The irony of this situation is that the bourse favours Craxi," said a leading stockbroker.

Mr Andreotti continues his consultations with political leaders this morning and has summoned representatives of Italy's big three trade unions to a meeting tomorrow.

If the Andreotti mission fails, as seems possible, the prospect of early general elections will increase, well ahead of the end of the present parliament in 1988.



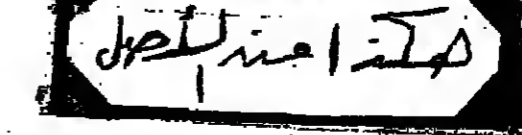
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First in Futures.



FINANCIAL TIMES SURVEY

Vans and Light Trucks

Japanese makers have made big inroads in the US and Europe, selling pick-up trucks as substitute cars and light vans alongside those of local makers. Home and export markets alike are affected since there is little overall growth in demand.

Hard lessons from the car market

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT



What European and US makers are up against. The Toyota Hi-Ace panel van exemplifies the highly successful vehicles that Japanese manufacturers are selling in world markets.

JAPANESE PRODUCERS having crushed the competition in the Far East, are now threatening to make a clean sweep in the light commercial vehicle markets worldwide.

They have made major inroads in the US, capitalising on the huge demand for pick-up trucks which are mainly used as substitute for cars.

They have captured nearly 20 per cent of Western Europe's light commercial vehicle sales and by 1990 could be accounting for 40 per cent, according to some industry commentators.

As Mr Carl Hahn, chairman of Volkswagen-Audi, told an American audience recently:

"The Japanese industry is awestruck in its depth and its strength, not all of which appears in our journals. For example, we hear much of additional passenger car sales in the US but we hear very little of the Japanese manufacture and importation of compact pick-up trucks — trucks which are sold as, and most often used as, passenger cars."

Ms Marjann Keller, one of the foremost US commentators on the automotive industry and a vice-president of research at Furman Selz Mager Klotz and Birney, has also been attempting to draw attention to this aspect of the Japanese threat.

While everyone's attention has been focused on Japanese penetration of automobiles, Japanese vehicle manufacturers have been slowly but deliberately entering new segments of the light-weight truck market," she points out.

"Just as the Japanese successfully have fragmented the subcompact and compact car markets in the US, they are about to do the same thing in light-weight trucks."

Currently light-weight trucks are very profitable for US automakers. However, it will be impossible to maintain sales volume and margins if the Japanese fracture the truck market with so many styles and models as they did in cars."

Helped by the attack on the light-weight truck markets of North America and Western Europe, total Japanese commercial vehicle output rose to record levels last year, by 5.3 per cent from the 1984 output to 4.62m units. Exports of commercials grew even faster, by 7.5 per cent to 2.3m, another record.

The value to the Japanese is tremendous. Light commercial vehicles share many components with cars and are often produced on the same assembly lines. Their production allows

the high cost of engines, transmissions, axles, floorpans and so on to be spread across a much higher output than for cars alone.

Light commercial vehicles can be sold and serviced adequately by car dealers and can be used to give dealers something to sell in those many markets worldwide where protectionism makes the Japanese wary about taking their penetration of car markets too far.

On the light commercial vehicle front the Japanese have already shrugged off a major protectionist measure implemented in the US in 1979 when the Treasury imposed a 25 per cent tariff on imported light trucks.

This was mainly in response to union pressure because the three major automotive groups — General Motors, Ford and Chrysler — were all importing small pick-up trucks from Japan and selling them with their own badges through their dealer networks.

Partly as a result of the tariff, both GM and Ford introduced "downsized" or smaller pick-ups and Nissan set up its pick-up truck assembly plant in Tennessee.

In spite of the tariff, however, Japanese pick-ups are still among the lowest-priced vehicles available on the US market and very attractive to private customers wanting to buy something new rather than a used car.

Last year between them Toyota, Nissan, Mazda, Isuzu, Mitsubishi and Suzuki sold 808,580 trucks in the US, up from 690,020 or by 24 per cent.

Ever on the look-out for new niches to fill, the Japanese are steadily increasing their sales in the so-called sport-utility sector of the light truck market in the States. What was once the exclusive territory of the American Motors' Jeep, Ford Bronco and Chevrolet Blazer, now includes competition from Isuzu, Toyota and Mitsubishi.

Unlike the pick-up trucks, these vehicles are as profitable as cars despite the 25 per cent tariff. Some of the utility models would normally be classified as cars. But to avoid having the vehicles counted as cars had included in the quota

system agreed by the Japanese and US governments — a quota which ended in April this year — the Japanese took on the rear seats.

The back seat was treated as an option which added \$400 to \$600 to the price.

In Western Europe the Japanese captured a record 16.4 per cent of total commercial vehicle sales in the first quarter of 1986. In 1985 they achieved a 15.1 per cent penetration compared with 14.2 per cent the previous year.

Nearly all the progress stemmed from Japanese successes in the medium van sector (which does not include car-derived and micro vans) up to 3.5 tonnes gross weight.

By the end of the first quarter of 1986 the Japanese accounted for 26 per cent of the medium van sector.

They benefited much more than their European rivals from the hiatus caused by Ford phasing out sales of the old Transit van. Europe's best-selling medium van, and the gradual introduction of the new Transit with its completely different shape.

Ford, which builds the Transit in Britain and Belgium, and Volkswagen of West Germany.

In 1980 the Japanese had only 11.8 per cent of the medium van sector in Europe (15 countries) and by the end of last year had built their penetration to more than 21 per cent.

The London-based DRI Europe group forecasts that by the 1990s the Japanese will take 40 per cent of the medium van business — the fastest-growing area in Europe's commercial vehicle market.

Two elements in particular will extend the Japanese penetration. First, the Japanese will make more vans at their own European factories. For example, Nissan is making the Vanette at its Motor Iberica subsidiary in Spain.

Second, in response to their own falling market shares, the Europeans are likely to look for ways to reduce the cost and investment needed for new van ranges and will use Japanese vehicles to do so, either by importing them fully built-up or by producing Japanese-designed vehicles.

The trend has already been established. Ford recently added a light van produced by its Japanese associate Mazda to its range in West Germany while Daimler-Benz, the Mercedes group, and General Motors, which uses the Bedford badge on its commercial vehicles made in Europe, have agreements to produce Japanese vans under licence.

In the first three months of this year the Japanese gained a great deal of ground in the UK where the best-selling Ford

Transit was in short supply. They built their medium-van segment share from 14.5 per cent at the end of 1985 to 18.2 per cent.

Shipments of light commercial vehicles to Britain are covered by the voluntary restraint agreement between the Japanese and the UK motor industries, but West Germany is wide open to attack.

In the first quarter of this year the Japanese share of the West German medium van sector rose to 29 per cent from 23.28 per cent at the end of 1985.

Volkswagen and Ford once dominated the Western European van markets. But since 1982, VW's share of the medium sector is down from 17.2 per cent to 15 per cent, while Ford's share has been reduced from 16 per cent to 10.5 per cent over the same period.

The Japanese push comes at a time when there is relatively little growth in demand expected. DRI Europe, for example, predicts that sales of commercial vehicles up to 3.5 tonnes gross weight (including this time, car-derived and micro vans) in the seven major West European markets will go up from 912,600 last year to 937,600 in 1986 but fall back to 931,600 in 1987. Demand should climb above 1m a year in the early 1990s.

The forecasters suggest that production of commercials up to 3.5 tonnes in those same seven countries — Belgium, France, Italy, the Netherlands, Spain, the UK and West Germany — will be slightly more than 1m this year, roughly the same as in 1985, and remain at this level for a few more years to come.

This is because, apart from taking volume away in Europe, the Japanese are also cutting out the Europeans in export markets. DRI suggests exports of commercials up to 3.5 tonnes, which were 273,300 in 1980 and had fallen to 180,200 by 1985, will drop again to 168,200 this year.

Until the mid-1990s, the best the Europeans can hope for is exports of 182,000. The Japanese first made their presence felt in the European commercial vehicle market with car-based vans and micro-vans. Six years ago they moved up to medium vans with higher values. There is plenty of evidence they are now taking the process to its logical conclusion and will attack the light truck segment where volumes are lower but value is much higher.

The same can be said of the US where the Japanese already have been moving swiftly into those niches of the light truck sector that the domestic manufacturers say would be too expensive to supply with American-built vehicles.

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Western Europe's light van market

	1982	1983	1984	1985	†1986
Total sales (000s)	396.8	435.1	418.8	496.2	142.9
	Market shares %				
Renault	38.3	33.3	30.1	23.3	28.3
Peugeot-Citroen-Talbot	26.2	17.2	16.2	24.7	24.2
Japanese	16.1	10.8	11.4	13.2	11.9
Ford	8.6	7.7	9.3	9.6	7.7
Fiat	9.7	10.1	11.1	9.1	7.6
GM-Opel/Bedford	4.1	4.9	6.5	6.6	7.6
BL-Asstia Rover	5.2	6.1	4.7	4.5	4.6
Volkswagen	2.5	4.0	3.8	4.2	4.4
Seat	1.8	4.7	5.4	3.8	2.9
† First quarter industry sources.					

THE NEXT CHAPTER HAS BEGUN.



TRANSIT number one rolled off the Ford production line in 1965. Last year the astonishing figure of 2,000,000 was reached. Now the next chapter has begun.

EVOLUTION NOT REVOLUTION.

Ford have combined all the most successful features of the last twenty years with all the latest knowledge and technology. They've produced a Transit that's even more economical, yet has far greater loadspace and better load access. A vehicle with a higher level of comfort, but one that is even more rugged, even more reliable.

THE CLASSIC DESIGN CONCEPT.

The design concept is a classic. The cab, engine and loadspace are located in three separate compartments, so no one element interferes with the others.

Rear wheel drive is featured on all models, while for the first time short wheelbases have independent front suspension.

And to cut maintenance costs, self-adjusting mechanisms and lubricated-for-life components have been included in the design. Even the bonnet hasn't been overlooked — it opens higher and wider for easier access to the engine.

STRETCHING FUEL ECONOMY BOUNDARIES.

Ford have also made the new Transit cheaper to run. Aerodynamics have been improved dramatically giving it a drag co-efficient that few others can equal. And the engines are among the most reliable and cost efficient on the road.

Add all this to the versatility and economy of Ford's own gearboxes and you've got a cost-cutting combination.

TAKING LOADSPACE INTO ANOTHER DIMENSION.

As for loadspace, the new Transit boasts even more than its illustrious predecessor.

The long wheelbase features a semi-high roof with 297 cubic feet of loadspace — a 13.5% improvement. The short wheelbase has 11% more room than before with 202 cubic feet. But short wheelbase models also offer a semi-high roof option, boosting the overall loadspace improvement to 22%.

Access has also been improved. The rear doors are up to 9" taller and rear loading width is up to 5 1/2" greater. And there's a new low-effort, sliding side-door available that can easily swallow a metre-wide pallet.

LEAVING YOUR OPTIONS OPEN.

Needless to say the new Ford Transit is a very versatile vehicle. It's available in van, chassis cab, bus and crew-bus models with a choice of seven payloads and three different wheelbases.

With over a thousand Ford dealers spread across the country your options are also open when it comes to arranging a test drive. In the Ford Transit success story, the next chapter has begun.



THE NEW FORD TRANSIT.

Vans and light trucks 2

US truck sales and stocks

(Five months 1986)	General Mfr. Co. GMC						Jeep Corp.	Nissan	Total
	Chrysler Corp. Dodge Plymouth	Ford	Chevrolet	truck & coach	GM				
0-4,000 lb:									
Utility	9,369	38,946	66,112	15,986	23,589	—	—	151,866	
Car-type pickup	—	—	9,946	1,215	—	—	—	11,961	
Compact pickup:									
Domestic	—	120,421	91,233	21,289	12,230	34,843	281,676	—	
Import	31,769	—	—	—	—	—	—	31,769	
Mini van	6,569	10,204	22,540	4,704	—	—	—	44,017	
Van	7,335	28,295	8,401	1,279	—	—	—	45,310	
Conventional pickup*	23,675	—	67,888	108,493	23,423	—	—	223,489	
Station wagon†	—	—	—	—	—	34,163	—	34,163	
Mid-size passenger carrier	50,289	49,066	46,029	38,474	3,600	—	—	182,749	
Passenger carrier	4,719	—	—	551	125	—	—	5,395	
Total	124,025	49,066	310,748	346,700	81,651	69,992	36,843	1,028,485	
6,001-10,000 lb:									
Utility	5	19,729	17,178	3,428	—	—	—	46,360	
Van	23,666	39,773	48,241	10,422	—	—	—	105,102	
Van outbody (type C)	—	12,848	6,986	1,998	—	—	—	21,832	
Conventional pickup*	13,948	145,966	83,965	17,962	640	—	—	237,421	
Station wagon†	—	—	33,675	7,601	6,186	—	—	47,462	
Passenger carrier	13,679	—	11,919	6,882	1,529	—	—	34,009	
Multi-stop	—	—	16,812	1,983	—	—	—	18,795	
Total	51,297	221,245	179,279	44,662	6,356	—	—	484,300	

*Including extended and crew cabs. †Truck chassis.

Motor Vehicle Manufacturers Association of the US.

The US

Family drivers boost

THE GROWING number of Americans using light trucks as personal vehicles has made them more popular than cars for some manufacturers, and contributed to a strong light truck market that continues despite slowing US passenger-car sales.

Near-record sales of light-duty trucks also contrasts with a sluggish market for heavy- and medium-duty trucks used primarily in commerce. Light-duty (under 10,000 lb gross vehicle weight) US truck sales through May 1986 totalled 1.5m, several thousand units ahead of last year's total year-to-date figure. Last year's total of 3.7m was a record year for US light truck sales.

The apparent momentum in light-truck sales persists in the face of a softening market for passenger cars that was off 1.3 per cent to 4.6m units for the first five months of 1986 compared to a year ago.

A number of factors seem to be combining to maintain demand for light trucks in the US. Relatively new on the market are several new compact pickups and light vans designed specifically for the needs of the average family.

The largest US-built sedans and station wagons, long the primary vehicle for suburban families, have largely been replaced by physically smaller cars as manufacturers responded to US regulations that limit the average fuel consumption of cars built in the US. One result has been a boom in so-called "mini" vans pressed into passenger-carrying service by suburban families.

"Minivans fill a wide variety of needs. They're much more versatile than station wagons, with various seating arrangements," says Mr Jerome Mittman, light truck marketing plans manager at Ford.

Both Ford and General Motors introduced new short-wheelbase vans late last year, a year after Chrysler first began selling a radical, front-drive "minivan" that was viewed by many buyers as an alternative to the traditional station wagon. Now market analysts at both Ford and General Motors estimate about 70 per cent of



The new Jeep Wrangler: American manufacturers are having to look carefully at the utility market where Japanese makers are increasingly strong.

sales of their latest small vans are to non-commercial customers.

Chrysler's front-wheel-drive van, which will add a longer body to the line this year, has an even higher percentage of owners using it as a passenger vehicle.

Mr Mittman says the increase in buyers who are now shopping for light trucks instead of cars has promoted demand for expensive luxury interiors, automatic transmissions and air-conditioning—luxury items not normally ordered by farmers and fleet delivery customers.

"Our most expensive pickup is slightly more than \$20,000 now," Mr Mittman says. "It's a trend likely to enhance profits for manufac-

turers, since light trucks are manufactured in high-volume, standardised plants that keep unit costs low. Standard-size pickup trucks normally are the largest-volume single model vehicle of any type for GM, Ford and Chrysler.

The continuing drop in fuel prices in the US is often mentioned as another reason for the strong sales of light trucks. Yet smaller imported pickups, mainly from Japan, have increased even more than domestic sales.

Imported trucks currently are running about 20 per cent of total light truck sales in the US, up from 15 per cent a year ago. That's a similar gain to the increase in import car penetration of the US market, now at 25 per cent compared to 23 per cent.

Neither Japanese cars nor trucks are unrestricted in the US market today, but while the Japanese have set self-imposed quotas on export volume in cars, trucks are currently inhibited only by a relatively high tariff of 25 per cent.

Japanese imports of light trucks likely would have been even higher if Ford and Chevrolet had continued to import so-called "captive" trucks manufactured in Japan and sold under the domestic manufacturer's label.

Ford and Chevrolet stopped importing Japanese models two years ago when they introduced their own domestically-manufactured models. Chrysler, which is beginning production of its own light pickup this summer, will continue to import trucks from Japan made by Mitsubishi.

The actual presence of the Japanese in the US market is somewhat higher than indicated by sales of direct imports. Nissan currently makes about 10,000 light pickup trucks in its US manufacturing plant in Smyrna, Tennessee, assembled mainly from components produced in Japan.

US light truck manufacturers are also introducing a variety of new models and technical changes expected to add momentum to the market.

Both Ford and Chevrolet are introducing redesigned standard pickup trucks this year—an unusual occurrence since light trucks are redesigned only about once in a decade.

American Motors recently introduced a new pickup truck based on its four-wheel-drive Jeep.

Chrysler also currently is launching a new mid-size pickup in a brand-new, highly automated assembly plant.

American manufacturers also are studying plans to build standardised chassis for light trucks that could be adapted to various uses, including vans, pickups and four-wheel drive utility vehicles.

The soft-market for light trucks in Europe has discouraged such a worldwide basis, but the strong market in the US is viewed as a strong incentive to proceed.

Dan McCosh

The UK

Long recovery continues

THE LONG recovery of the UK commercial vehicles market from its 1980-81 trough—the deepest in the industry's post-war history—has continued during the past 12 months.

The further improvement, made possible by growth in the country's overall economy—which has shown remarkable resilience to the collapse of the oil price—has been particularly noticeable in the vans and light truck (up to 7.5 tons) sectors.

Between 1981 and last year, sales of light vans—mainly those derived from cars—increased by 60 per cent to reach 92,585. A further rise was enjoyed in the first six months of this year, although the momentum has slowed. Society of Motor Manufacturers and Traders registrations showed a further 4.2 per cent increase, compared with last year's first half, to 50,376 units.

Until the last few months the experience had been repeated, though to a less dramatic extent with medium and heavy purpose-built vans (those with gross vehicle weights of between 1.8 and 3.5 tons).

At their nadir in 1981, sales fell to 98,510. By last year they were back up to 121,200—a 23 per cent gain. In the first half of the current year, sales have actually fallen back slightly, by 3.5 per cent, to 62,960 compared with the year-ago half.

The recovery in light truck sales has been on a par with that of medium and heavy vans, reaching 20,290 units last year, a 24 per cent increase compared with 1981.

The question is, do the signs of flattening of the sales curves this year indicate that another downturn will not be too long delayed?

Consensus group DRI Europe, for one, thinks this is not the case. The buoyancy of the economy, it forecasts, will take both vans and light trucks into further sales increases, at least until the end of next year. For 1987, it predicts sales of light vans will reach 92,000, medium and heavy vans 124,025 and light trucks 21,030.

Behind the encouraging overall figures, however, lies continuing fierce rivalry for sales among manufacturers and exporters, and which has been intensified by a number of imported UK commercial vehicles subsidiaries, to be based heavily upon a Japanese design.

The Mini, a one-tonne payload van based on a design by Isuzu, in which GM has a 38.6 per cent stake, was launched at the beginning of 1986, and in the spring of this year, joined by the Renault. This is a "microvan" with an engine of only one litre but still capable of carrying a half-ton payload.

With these two products to complement its largest, UK-designed, 672 van (all three are assembled on Bedford's Luton van lines) plus two versions of the Ellesmere Port-assembled Astra van, Bedford has declared its intention of capturing overall leadership of the UK van market.

The objective, however, remains far from fulfilled. In the first six months of this year Bedford's combined van sales totalled 20,295. That was well up on the 18,940 sales achieved in the same period of last year.

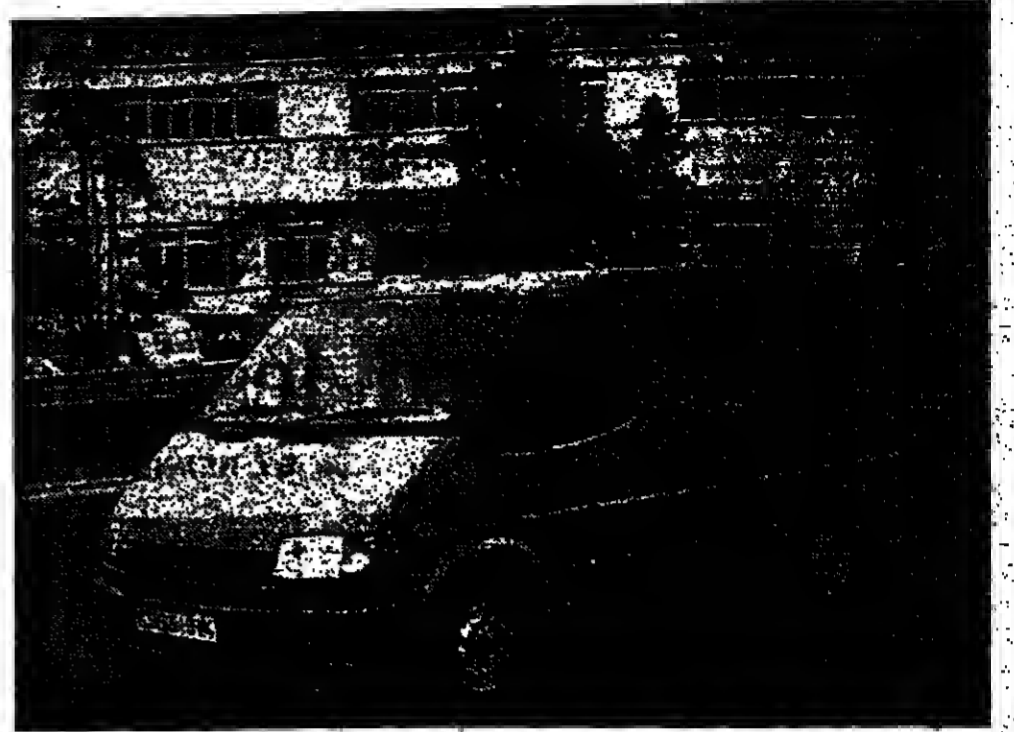
It was also sufficient to allow the Rover Group companies, Austin Rover with its Metro and Maestro vans, and Freight Rover's Sherpas, out of second place. The former BL company's van registrations fell slightly to 18,560, from 20,622, over the same periods.

But Bedford remained far behind Ford, which even with a 4 per cent sales fall in the first half of the year still achieved 38,220 sales with its Fiesta, Escort and Transit vans. And that was despite the new model Transit, launched at the beginning of this year, being in markedly short supply while production was being phased in.

Its chances of closing the gap appear nil, given the uncertainty which has arisen over the future of Bedford in the UK following the Government's blocking of GM's intended takeover of Leyland Trucks and Land Rover.

GM had plans to develop a "world" van through its Pontiac, Michigan-based world truck and bus organisation, in which Bedford would have played a key part. GM has now decided to get out of the bus business altogether, and has shelved the world van.

From top: Land Rover Ninety county station wagon; Freight Rover Sherpa high-speed police vehicle; Vauxhall Astra van; and Ford Escort van. The sales of car-derived vans continue to increase as UK manufacturers and importers pursue this highly competitive sector.



The new Ford Transit. Its sales will be a key to market shares in the UK's medium van sector.

Bedford, which announced 1,700 redundancies in June, still needs a replacement for the CF, in the face of the new Transit. But at the time of the talks with BL it said that investment in a new van would be worthwhile only if there was a joint venture to replace both the CF and BL's Sherpa. With the world van and BL options now closed off, will it once again

months of this year, to 4,185 from 2,046. Nissan attributed the jump to better availability of vehicles from Japan, but the total included 775 vans from Nissan's factory in Spain, which is not subject to import quotas. Meanwhile, Renault continues to lead the "traditional" importers in the medium van sector with its Trafic and Master range, with 5,075 sales in the

which has produced a near-tripling of sales for Renault in the car-derived van sector in the first half of this year, to 1,830 units.

No less spectacular has been Citroen's performance in the same sector, with Spanish-built van versions of its Viso car. Despite the vehicle's colour choice—white and red only, its logo, a bottle on wheels, and names—Van Hane and Van Rouge—the little Citroen captured 1,875 sales in the first half following its sales launch at the start of the year.

Other new arrivals in the market include pickup and van versions of Volkswagen's T20, and the T2 heavy van range from Mercedes, in weights between 3.5 and 7.5 tonnes, with which Mercedes hopes to secure 30 per cent of sales in this sector, up from 25 per cent with previous models.

The completion inevitably has increased the market share of importers, who accounted for 28.5 per cent of light van sales in the first half (27,480), and 49.22 per cent of medium and heavy van sales (41,960).

John Griffiths

New models intensify fierce rivalry for sales among manufacturers and importers

turn to the Japanese for a solution? However, new model introductions have not been confined to UK-based producers, who have faced increasingly stiff competition from importers in the medium and heavy van sectors.

Nissan UK, for example, has more than doubled its imports of medium vans in the first six

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Vans and light trucks 3

France

Healthy sector keeps out exports

THE FRENCH light van and small truck market continues to be one of the healthiest in the French motor industry. In contrast to the domestic car market as a whole, the light van sector has managed to sustain strong growth.

At the same time the two French manufacturers—the state-owned Renault company and the private Peugeot-Citroen group—continue to dominate the light van market where foreign makes have so far failed to make a significant dent such as they have achieved in the French passenger car market.

After a disappointing year in 1984, the light van market picked up last year with registrations rising by 11.7 per cent to 303,900 vans compared with the year before. The sector also accounted for 14.7 per cent of overall French car sales last year. The figure would have been higher if sales to the French public administration and public services which are not recorded in the official registration statistics were also included.

This year the market has continued to advance strongly, with registrations rising by 14.6 per cent during the first five months and French manufacturers extending their gains



Renault's strong-seller, the Trafic

over importers, whose share of the market totals only 18.4 per cent compared with over 35 per cent in the passenger car sector.

The French light van sector has traditionally been helped by its significantly lower Value Added Tax rate of 13.6 per cent compared with 33 per cent for passenger cars in France. But last year it received an additional stimulus from the sharp increase in the introduction of diesel models.

Demand for diesel-engined light vans has surged in France. Indeed, in the case of the successful Citroen C15 light van—one of the undisputed stars of the domestic market in 1985—about 90 per cent of sales involved diesel models last year.

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Italy

Lacklustre outlook as sales rise slowly

THE ITALIAN market for vans and light trucks, like the larger car market, has traditionally been the preserve of Fiat, which sells such vehicles through its Fiat Auto and Iveco (commercial and industrial vehicles) subsidiaries.

Last year was by no means remarkable, either for Fiat or for its foreign competitors operating in Italy. The total number of commercial vehicles (below the 3.5 tonne mark) sold in 1985 came to 89,662, making for a distinctly lacklustre rise of 2.8 per cent on 1984.

The outlook for this year is much the same—a stable and unexciting market with a marginal sales increase at best. Fiat itself lost ground in 1985. Although it is far and away the market leader, its Fiat Auto division sold 45,016 vans and light trucks, accounting for 48.5 per cent of the Italian market, down from 51,000 vehicles or 52.5 per cent in 1984.

The Iveco division actually saw its 1985 sales in this sector up by 13 per cent to 14,121. When Fiat Auto and Iveco division sales are combined, however, the Fiat group sold a total of 63,137 vans and light trucks in 1985, against 63,500 the year before.

Industry analysts say that demand has been weak in the opening months of the current year, and that customers are more price-sensitive than ever. Many of the buyers of vans and light trucks are small companies, pieceworkers often involved in textile, shoemaking or other artisanal work.

“For these artisans buying a Fiat Ducato or Ford Transit is a big investment. The clients are highly sensitive about price variations and equally about financing packages,” comments Mr Sergio Frezza, of Ford Italy.

The response by the manufacturers has been to introduce improved models, engage in heavy advertising and promotional campaigns plus offers of cheap finance.

Fiat's range of Ducato models—smart modern vans and light trucks, which are manufactured with a standard of finish generally associated with cars—has been a great success. Last year the Ducato range accounted for 21,722 of the vehicles sold by Fiat Auto (the other 22,365 vehicles were in the Fiorino and 900-E ranges).

In March of this year, Fiat introduced a new Ducato Maxi-Turbo model, a high performing and powerful turbo-charged diesel which appears to be meeting with a good reception. Ford, on the other hand, started 1986 by introducing new styling and larger volume on its Transit range; whereas the one tonne model previously had 5.2 cubic metres of space and a standard roof, the new range includes six cubic metres of space with the standard roof, and 6.6 cubic metres with a semi-high roof.

Ford is still, however, a distant second to Fiat in the Italian market, last year having sold 10,182 vehicles to obtain 10.3 per cent of the market.



Fiat's Ducato in Luton van form

Behind Ford came Renault, with 7 per cent of the market, Volkswagen with 6.1 per cent, and General Motors with 5 per cent.

To maintain market share, the various companies have been spending on advertising as never before. It is estimated that in the first four months of this year the big producers spent around US\$4m together on radio, television, print media and billboard campaigns. Fiat is believed to have spent between \$1.5m and \$2m of this total.

Then there are the financial incentives offered to customers. Ford and Renault are particularly active here, with Ford offering £10m of interest-free finance for one year. Renault is offering £5m interest-free for a year on its five model. Perhaps the luxury of being the market leader explains why Fiat has stayed out of the finance game, offering no such incentive.

Alan Friedman

Italian market

Company	Sales (units)	Market %
Fiat Auto	45,016	48.5
Iveco	14,121	14.3
Ford	10,182	10.3
Renault	6,985	7.9
Volkswagen	6,047	6.1
General Motors	4,939	5.9
Others	8,582	8.8
Total	89,662	100.0

Source: Fiat.

Paul Betts

Volkswagen's Polo car-derived van West Germany

Confidence from orders pick-up

DESPITE JAPANESE competition, the West German manufacturers of vans and light commercial vehicles see some grounds for confidence about prospects in the immediate future. New orders, particularly for the smaller vehicles, have been picking up—not only in the domestic market but in other European markets as well.

Producers hope for a further increase in sales, on the assumption that West Germany and other countries will sustain their moderate economic growth rates. At the same time, there is increasing emphasis on updated models and improved performance to try to meet the intense rivalry.

One sign of the times is the improved situation at Volkswagen's plant at Hanover, which is largely taken up with production of vans and other light vehicles, steadily reducing the number of employees and operating short-time working in recent years. The Hanover plant has stabilised its workforce and has been running some Saturday shifts to step up output.

In other moves, Daimler-Benz and Fordwerke, the Cologne-based subsidiary of Ford of the US, are both marketing some new model ranges.

Earlier this year, Ford launched its new range of Transit vans, produced at Southampton in the UK and at the Fordwerke-supervised plant at Genk in Belgium.

In contrast to the hard-hit medium to heavy truck operations, the lighter end of the commercial vehicle sector has been showing more signs of life. The strongest interest, however, has centred on car-derived vans, which can double up as family transport and leisure vehicles.

While the building industry has been struggling to revive from recession, demand for vans for use in delivery and service trades has been more resilient.

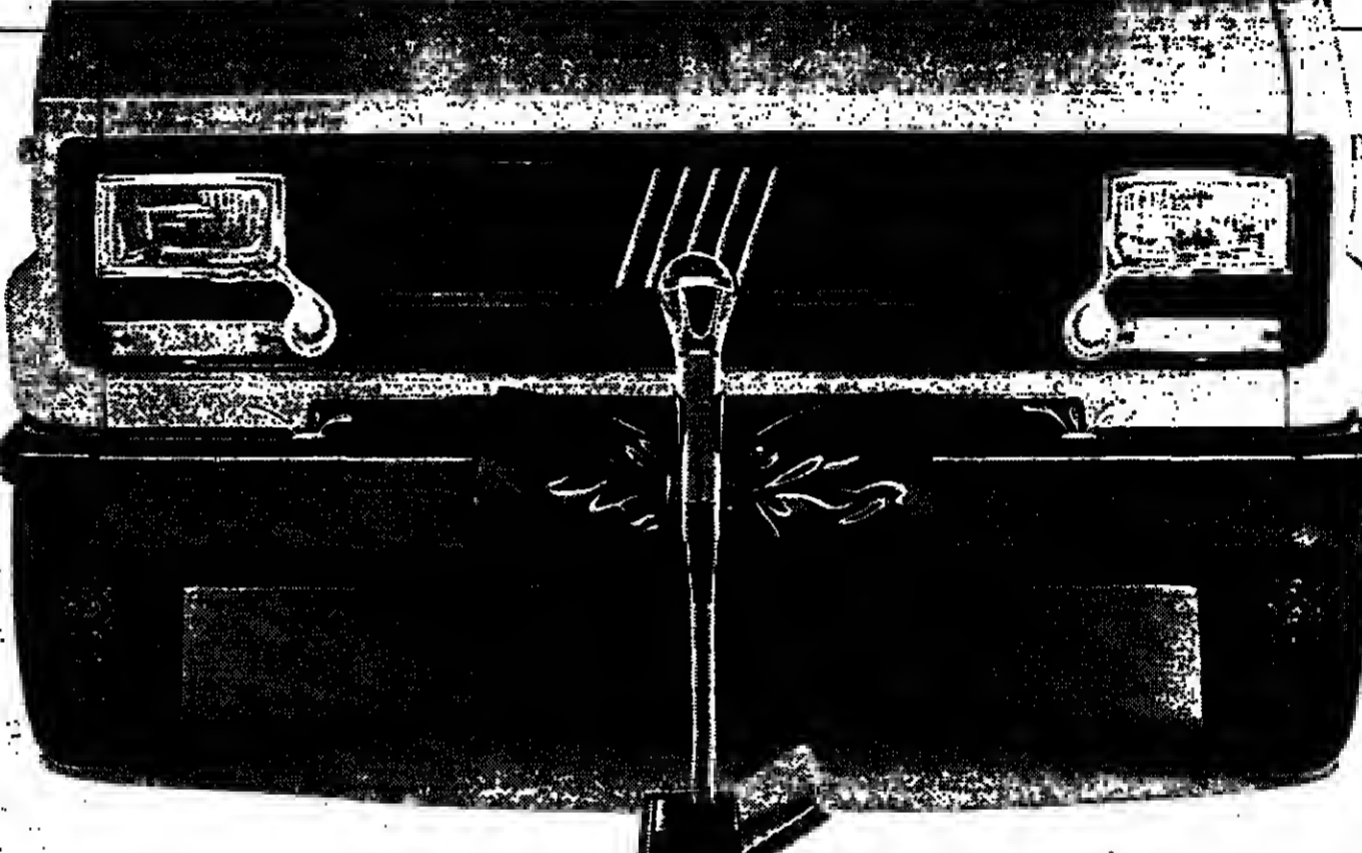
According to the Automobile Industry Association (VDA), West Germany's production of goods-carrying vehicles of up to 2 tonnes gross weight rose 63 per cent to 46,785 last year. However, goods-carrying vehicles of between two and six tonnes gross weight showed a less dramatic production increase of 3.2 per cent to 120,520 last year.

Production has shown a further increase this year, total output of up to six tonnes rising 8 per cent to 76,600 in the first five months.

Sales, both for family and leisure interests and for business uses, have also been rising in domestic and export markets. In May, the VDA says, orders for transporters picked up equally strongly in West Germany and in markets abroad.

With the Japanese moving over more strongly into the light and medium van markets, Volkswagen and Ford in West Germany have come under strong

John Davies



“In accepting this award, I'd like to thank my designer, for giving me the capacity without which I know I wouldn't have won the vote. And all those lovely engineers for arranging those invaluable options. And I mustn't forget my producer, for encouraging me to act in so many roles. And, quite sincerely, I do believe that professionals like me should do all we can to work to a budget, so I appreciate the financial director's constant support. And last, but not least, all you darling people whose applause has made it all worthwhile. I love you all.”



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Vans and light trucks 4

Japan Record production but exports drop

PRODUCTION of light vans in Japan hit a new record level in 1985 — up by just over 1 per cent to 3.88m units — but the pace is slowing sharply.

Despite buoyant sales of microvans on the domestic market, a tumble in exports is now setting the slide on total output levels. Over the first four months of this year, built-up exports of light vans plunged to a 23 per cent deficit. Despite a 5 per cent gain in domestic sales, output so far has shown a net 6 per cent fall and this year, for the first time since 1982, a downturn in van production is looming.

The improvement in sales in Japan stems from record demand for indigenous microvans. With engines up to 550 cc, these midsize vehicles offer valuable savings in tax and insurance. They have been tailored to the narrow winding streets of Japan's cities, and they are particularly popular with a growing band of women drivers. (Outside Japan they have little relevance. With a majority of overseas customers preferring the car-derived alternative, only a small number of microvans are exported, to countries such as Pakistan, Australia and the UK.)

Customer interest in the microvan sector has been boosted recently with new products from Honda and Mazda joining longer-standing competition from sector leaders Suzuki and Daihatsu. Sales efforts have accelerated as a result, and discounting now threatens the already modest margins available in this sector. During the second half of the year, however, demand is expected to run out of steam as the yen puts the squeeze on corporate profits.

Overseas, current shipments to Europe (up 3 per cent) and North America (up 16 per cent) are being more than offset by dwindling orders from the Middle East and China. Reduced oil revenues have cut this year's shipments to the Middle East by more than 70 per cent and concern over China's dwindling reserves of foreign exchange has sliced 55 per cent off sales to South-East Asia.

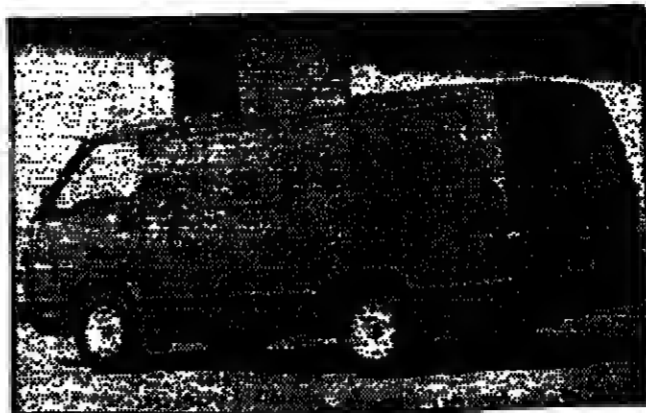
The North American markets are Japan's biggest customers, absorbing over 40 per cent of current light van exports. Led by the markets of West Germany, the UK and the Netherlands, Europe accounts for a

further 23 per cent. Increasingly, however, stringent requirements on local sources of components are changing the nature of Japan's overseas business. Local assembly or licensed production is taking the place of built-up exports, and the recent ascent of the yen is accelerating this process, making it unlikely that future shipments will reach the 1m mark.

The yen has risen 30 per cent against the dollar since last September. It has gained almost 40 per cent against the South Korean won (already there are reports that for leading producer Toyota, monthly operating profit since January has plunged by around 60 per cent.) Inevitably, investment plans are being trimmed back. Despite high commitments in the US, spending over the year to March 1987 is expected to rise by no more than 5 per cent over the preceding 12 months.

"Belt tightening" measures have extended to cutbacks in senior management incomes. Overseas dealer margins are under threat as importers struggle to absorb the impact of rapid price rises. In Japan, component producers are under pressure to cut their prices by around 10 per cent. Foreign-build programmes are being stepped up—Toyota has advanced the start-up of its Kentucky plant in the US by six months; and, in the UK, Nissan looks set to proceed to phase two ahead of schedule.

Japan's smaller specialists are looking particularly vulnerable. Recently, hard-pressed Nissan cancelled a long-standing contract-build arrangement with Fuji, under which the latter was producing 60,000 Nissan models per year. In one stroke, Fuji saw its annual output prospects drop by 10 per cent. As a result, new alliances are being forged by Japan's second-tier producers. Suzuki and Isuzu have recently agreed to pool resources in production and marketing of vehicles, and



Toyota Hi-Ace van. Japan's leading producer, Toyota built 1m goods vehicles last year.

Japan's output of light vans

Figures in '000; up to two ton loading capacity

	1985	1985*	1987*	% change—	1986-85	1987-85
Light vans (up to 850cc):						
Domestic sales	1,368	1,336	1,280	2.2	-6.4	-6.4
Exports	11	7	6	-26.4	-45.5	-45.5
Production	1,389	1,405	1,286	1.2	-7.4	-7.4
Other light vans:						
Domestic sales	945	868	840	-8.2	-11.1	-11.1
Exports	1,420	793	650	-23.0	-38.9	-38.9
Production	1,995	1,661	1,490	-16.7	-25.3	-25.3
Total light vans:						
Domestic sales	2,313	2,204	2,120	-2.0	-8.2	-8.2
Exports	1,541	800	656	-23.2	-37.0	-37.0
Production	3,354	3,066	2,776	-9.4	-18.0	-18.0

* Forecast

Source: International Motor Business (The Economist Publications).

in the US Fuji and Isuzu are to co-operate in setting up a joint assembly facility.

At the same time, pressure from the yen is causing suppliers in countries such as South Korea and Taiwan to be enrolled more closely in Japan's vehicle industry. Already recognised as a valuable source of cheap components, a more radical move is underway to have Japanese models built in these low-cost centres for re-export to Japan and elsewhere.

Among Japan's producers of light vans, the arrival of new models has brought gains for Honda. Isuzu has enjoyed a boost in US sales, but setbacks on the domestic market have restrained output by Nissan.

For leading producer Toyota, production of goods vehicles topped the one million mark last year, assisted by major changes in the Lite-Ace van. In Taiwan, the company has laid plans for annual production of 15,000 commercial vehicles in collaboration with Kuo Zui Motors. Start-up is 1988.

Minor revisions to Mitsubishi's L300 van are planned for August, and from late next year this model will be built at a Daimler-Benz plant in Spain. It will be equipped with a Mercedes-Benz 2.4 litre diesel engine. Plans to export the model to West Germany (in 1989) have meant a doubling of annual output provision to 18,000 units. Along with Hyundai, there are plans in 1989 to produce around 40,000 small vans in the Canter series in South Korea; and a deal is under way in China for monthly assembly of 300 light vans beginning late this year.

In its third technical link with a Chinese company, Suzuki began production of small vans in the city of Chengqing in April. The company has ties with Land Rover Santana in Spain, and in the UK, GM is building a half-ton Suzuki microvan. (This move to local assembly, and the relief it affords from yen-inflated prices has already caused at least one other UK importer, Honda, to review plans for continued imports of microvans.) Over in both the UK and Spain, lock like consolidating themselves as the foremost production bases for Japanese vehicles in Europe.

With an \$85m investment, Nissan has recently lifted its

Spain Light in the tunnel

THE PEOPLE of Barcelona have seen caravans of vehicles being driven to the docks for shipment abroad often enough. But a long queue of Nissan Vanettes which recently wound its way to the port area was different.

What raised eyebrows about the latest batch of export units, built by the Japanese firm's Spanish subsidiary Motor Iberica was that they all had right-hand steering wheels. They were destined, inevitably, for the United Kingdom.

If everything goes according to plan in Nissan's Barcelona venture, some 3,000 Spanish-built vans will reach the UK in the course of this year. For the Japanese firm, this will at long last represent the start of a return on an investment in Spain that grew costlier and more frustrating as the years wore on.

Nissan came to Barcelona in 1980 when it bought Massey Ferguson's 36 per cent stake in Motor Iberica. The idea was to use the Spanish company as a springboard into Europe while keeping a low profile.

Things did not work out that way. There was no evidence of a trampolines in Europe, at least not until now, and there was no chance of keeping in the background. Motor Iberica's losses mounted year by year, and from year to year Nissan's stake in the company grew.

"Nissan is the sole proprietor almost by default," Juan Echevarria, Motor Iberica's managing director, says. "The original intention had been to remain as the chief minority shareholder with a degree of control of the company."

At the beginning of this year, a special Motor Iberica shareholders' meeting was called to approve a 50 per cent increase of capital to Pta 39bn. As in the past, it was the Japanese parent company which shouldered the burden.

Its stake in Motor Iberica, already in excess of 70 per cent after successive capital increases since 1980, was now raised to more than 90 per cent.

The story of Nissan over the last six years in Spain contains all the themes common to the country's vans and light trucks sector as a whole. The main components of the story are the struggle for survival through financial injections, preferably from a foreign partner, and the guarded hope that there is light at the end of the tunnel.

Last year Motor Iberica chalked up two contradictory milestones. It gained the dominant position in the domestic market, and it posted record

losses. With domestic sales of 10,672 Nissan Ebro units, Motor Iberica gained 49 per cent of the market and edged Mercedes-Benz Espana, the Spanish subsidiary of Daimler-Benz, into second place.

The other side of the coin was the figure of Pta 10,22m losses. Mr Echevarria claims that Motor Iberica's operating costs are now balanced, and that the debt is due to the continuing cost of restructuring the company (the labour force has been slashed from 12,000 in 1980 to the present 6,000) and to financial charges.

It was this belief that the worst was over that prompted Nissan to pump a new Pta 40bn into the company over four years at the January shareholders' meeting. The injection is a bid to put the Spanish subsidiary on a sound financial footing, and the parent company hopes it will be the last one.

An equivalent amount of capital since 1980 has been soaked up by losses of Pta 33bn over the past six years.

Nissan's forecast for this year is that Motor Iberica's losses will be down to Pta 7.5bn, and that financial charges will be reduced from representing a present 9 per cent of sales to 5 per cent. By 1990, or six years later than originally scheduled by Nissan when it bought into Motor Iberica, the company should be totally modernised, competitive and able to fend for itself, according to the management's strategy.

There is more for optimism, as there are signs that demand is on a sustained upward climb. The Spanish vehicle manufacturers association, ANFAC, noted in its latest report that productivity was significantly more positive than in 1985, a year when the improved trend was already setting in. The first quarter results for 1986 showed an overall increase of sales of



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Medium Vans

'World van' project shelved

THREE BIG events, two positive, one negative, have ensured that 1986 will be a very important year in the medium and heavy truck sector.

The year started with the launch of Ford's new-range Transit, the long-awaited replacement for Western Europe's best-selling medium van.

In the spring, Daimler-Benz launched its Mercedes T2 range of heavy vans which compete in a low-volume market sector but are vitally important to D-B, Europe's major commercial vehicle group.

The important negative news came last month. General Motors admitted it had shelved its so-called "world van" project which, among other things, was to have provided Bedford in the UK with a replacement for its CF van range.

The world van had been under development since the mid-1970s under the supervision of GM's world truck and bus organisation, based at Pontiac, Michigan, but which co-ordinates the efforts of the group's subsidiaries in Brazil, the US (GMC and Chevrolet) as well as at Bedford.

GM's aim was to develop a van which could use a common design, share some key components and could be marketed around the world through all GM's subsidiaries with only minor modifications.

The US publication Metalworking News, which has close contacts with the motor industry's machine tool suppliers, said that GM had dropped the

world van project in favour of redesigning its current ranges of vehicles.

Bedford confirmed the suspension of work on the project and said resources were diverted to the truck programme. "It is a shift in resources."

Neither Bedford nor the parent world truck and bus division would give any hint about the new van policy or whether Bedford would go it alone to replace the CF which was launched in 1983 and had a major facelift three years ago.

During the talks with state-owned BL in Britain about the purchase of its Land Rover and Leyland Trucks subsidiaries, which broke down in March, GM suggested that one of the most pressing problems for both companies was the development of a new medium-weight van range.

GM argued that the investment would not be worthwhile unless a joint vehicle to replace both the Bedford CF and BL's Sherpa vans was developed.

However, while GM suggested the Sherpa range has one to three years to go before it needs replacing, the management team at the Land Rover company—which has Sherpa production under its control—suggest that there is still three to five years of good life left in the BL vans.

The future of Freight Rover, which makes the Sherpa, is still in the melting pot. BL's new

chairman has to make up his mind quickly about further investment.

BL recently signed a distribution deal with Daf Trucks of the Netherlands which will take Sherpa vans and Leyland Roadrunner trucks—in both cases suitably altered to take a Daf badge—for Daf's continental dealer network.

The Rascal, from a Suzuki design.

Some observers feel GM might now rely more heavily on Isuzu, in which it has a 38.6 per cent shareholding for its future van supplies.

CF has been losing ground in the UK and continental export markets to newer products from European producers and is now expected the old Transit to hold up so well against the new competitors. And it was entirely a matter of luck that it did.

In the UK, the largest medium commercial vehicle market in Western Europe, Ford had only 18 per cent of the sector before the Transit was launched. In little more than a year the van had taken 26 per cent and given Ford market leadership, a position the company has held ever since.

At times, Ford's share of the sector in Britain has been as high as 40 per cent and only once since 1967—in 1981—has it been under 30 per cent. In 1985 the van still accounted for about 38 per cent of medium sector sales even though it was widely known a new style was on the way.

But the Transit has lost much ground recently in continental markets. At the end of the 1970s Fiat and the Peugeot group launched jointly-produced medium vans (sold as the Fiat Ducato, Peugeot 35, Citroen C25 and the Talbot Express) from a new factory in southern Italy. Renault introduced the Trafic/Master range of vans and beat them these newcomers snatched market share from the Transit in France and Italy.

Most important of all, the Japanese made an aggressive entry to the sector and between 1980 and the early part of 1985 increased their penetration of the Western European market from 11.8 per cent to nearly 25 per cent.

Not many Ford people

under threat from Ford's new Transit.

Ford itself has a great deal riding on the new Transit. To start with, the old vehicle (20-years-old at the time of its retirement) was Ford's most profitable individual model, cars included.

That is important not only to Ford but also to its 25,000 dealers throughout Western Europe.

Not many Ford people

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Not many Ford people

Western Europe's medium van market

	1982	1983	1984	1985	1986 (1st qtr)
Total sales ('000)	627.5	622.4	623.9	623.3	150.6
Market shares %					
Total Japanese	18.4	18.5	20.7	21.3	24.8
Volkswagen	17.2	18.2	15.1	14.5	15.9
Ford	16.9	16.3	13.5	11.9	10.5
Peugeot-Citroen	10.5	10.2	9.9	9.2	9.2
Talbot	7.9	8.9	9.3	9.9	9.2
Fiat	6.8	6.5	4.7	4.5	4.5
Renault	3.1	3.8	3.7	3.3	3.1
Mercedes	3.5	4.1	4.6	4.5	4.4
BL-Austin Rover					

The first vehicle in GM's world van project was originally scheduled to be introduced in the autumn of 1983. But the launch has already been put back to 1990 before being postponed indefinitely.

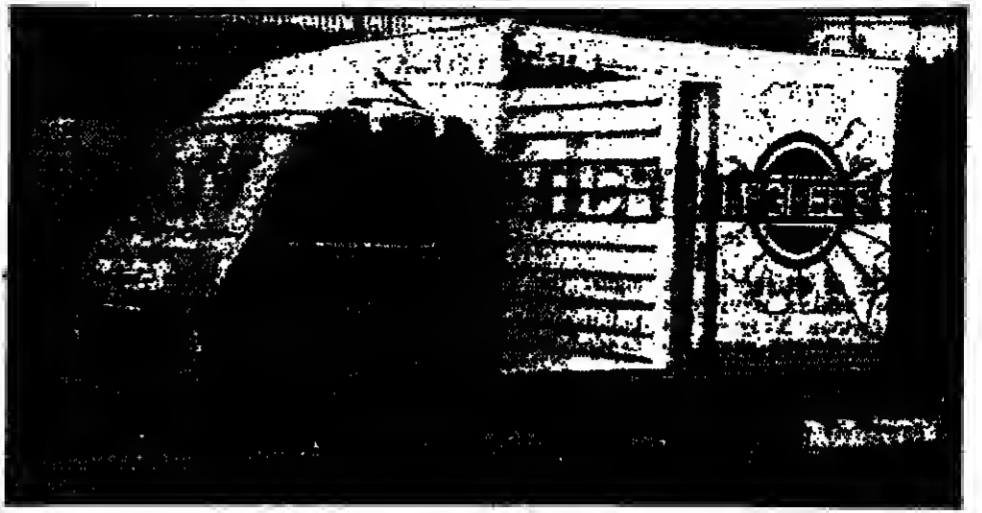
At the Bedford van plant at Dunstable, GM has attempted to boost output by spending £50m to produce two vans, smaller than the CF and based on Japanese designs: the Midt, based on a Isuzu vehicle, and

under threat from Ford's new Transit.

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Not many Ford people



Special baker's van. This Volkswagen LT35 diesel, with a body by Johnstone Coachbuilders, was built for a Glasgow baker

In 1980 Ford sold 122,000 built-up Transits in Europe. Since then Japanese and new European competition has reduced annual sales to about 85,000.

However, the group hopes new Transit sales will go back to 120,000 a year by the end of 1986 when output reaches near-capacity.

Much of the increase will come from these continental markets where the Transit is already successful with a share of between 8 and 15 per cent.

Production of the new Transit is split about equally between Southampton and Genk, with the former supplying the UK and a few hundred a week of special versions for export plus 40 knocked-down kits a day for assembly at Ford's factory in Portugal.

There is scarcely a market in the world where the old Transit was not sold during its lifetime,

but the new vehicle was not designed to be distributed widely outside Western Europe. Ford's investment in the new Transit totals about \$500m, including \$150m for the new 2.5 litre, direct-injection diesel engine produced at Dagenham in Britain which Ford took care to introduce in the spring of 1985 in the old van so customers could get used to it.

Some would say Ford's sales expectations are open to question.

Volkswagen is replacing the Transporter/LT van range before long. Renault and the Fiat-Peugeot vans will also be replaced. Each of the European companies will be looking for sales of 100,000 a year to make investment in new medium vans worthwhile. So far there is no sign that the Japanese threat will diminish.

DRI Europe, for example, suggests that in the 1990s the Japanese share of the medium van market will reach 40 per cent if vehicles built in Europe from Japanese designs are added to those imported built-up.

Daimler-Benz will contribute to the European-built Japanese van element because it has arranged to build a Mitsubishi vehicle under licence at its Spanish subsidiary to complement its range in that country.

D-B itself has escaped damage from Japanese van imports almost entirely. Its vans are at the heavy end of the business because it has no low-cost car components to build into smaller vans.

In April D-B replaced the 19-year-old Dusseldorf heavy vans with the new T2 vehicles which cover the gross weight range mainly between 4.8 and 7.5 tonnes—but with versions at 3.5 tonnes for some markets.

Developed at a cost of well over DM100m, the T2 models

are in a low-volume segment but are highly important to D-B, particularly in its home market where it has a 70 per cent share of sales of vehicles between 4 and 8 tonnes gross weight.

D-B also last year accounted for 36 per cent of the total West European sales of vans and trucks in this category.

The T2 models have an important role to play in Spain, the only European country where D-B is still looking for new commercial vehicle dealers.

Last year D-B sold 19,000 of the old Dusseldorf models, including part-sets for assembly outside West Germany. Of the total, 12,500 were built-up vans and 6,500 were buses or bus chassis. Some 7,000 were sold in Germany.

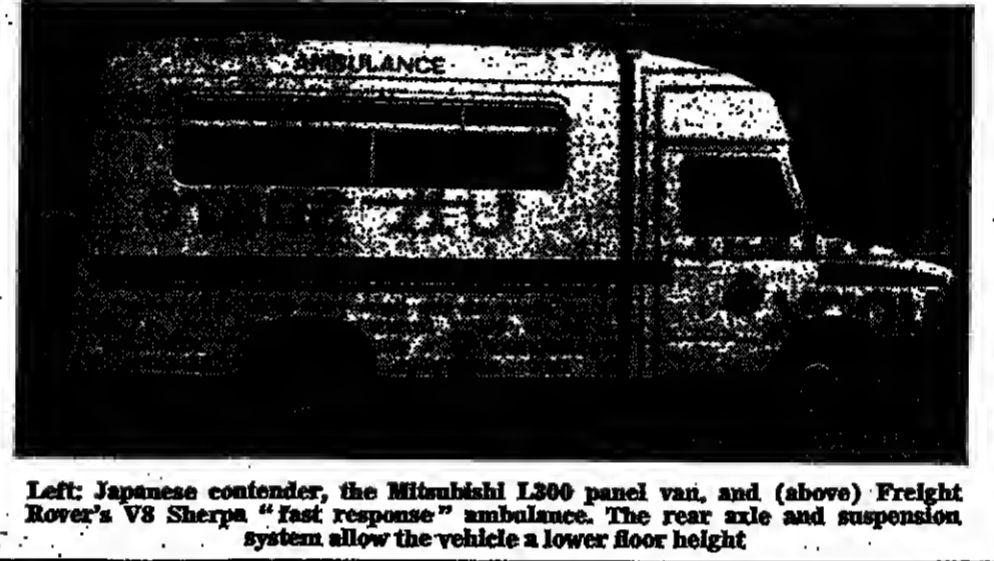
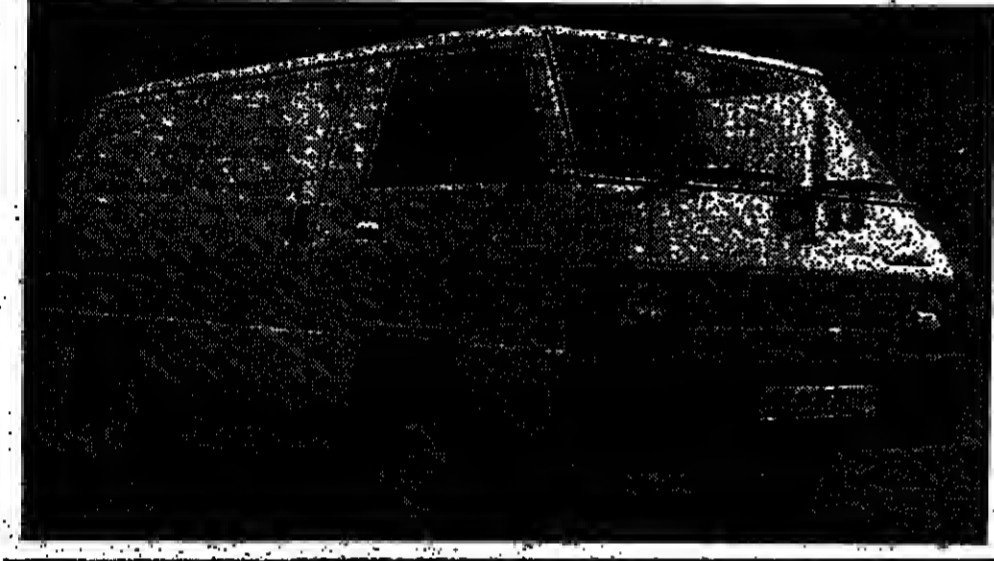
The company has set itself the target of hitting sales of built-up T2 vehicles last year's 13,400 Dusseldorf vans to 18,500 by 1990.

By then West European annual demand for vans of the T2 type, which has fallen steadily from the peak of 195,000 in the mid-1970s to 71,000 last year, should have partly recovered to 80,000.

Apart from D-B's 35.4 per cent share of last year's total, the Fiat subsidiary, had 17 per cent; Ford, 10.4 per cent; Renault, 7.5 per cent; the joint Volkswagen-MAN organisation 5.9 per cent; General Motors, Bedford 3.9 per cent; BL, 3.7 per cent and the Japanese 4.8 per cent.

Those statistics show how little progress the Japanese have made at the heavy end of the van market so far. They have not developed the products with which to tackle the sector—mainly because large and heavy vans are not particularly suitable for use in Japan itself.

Kenneth Gooding



Left: Japanese contender, the Mitsubishi L300 panel van, and (above) Freight Rover's V8 Sherpa "fast response" ambulance. The rear axle and suspension system allow the vehicle a lower floor height

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Vans and light trucks 6

Light trucks

Partnerships in vogue

THE PACE of change in the commercial vehicle industry is fast and furious. Many of the changes seen in the past year will have an impact on the light truck market.

For example, Ford earlier this year effectively decided to opt out of European heavy commercial vehicle production by selling its operations to a new company in which it has only a minority interest.

General Motors, which owns Bedford in Britain, has put its world truck and bus programme under review and the group has said that, although it wishes to stay in the heavy truck business world-wide, steps must be taken to make GM's operations more competitive — "perhaps with a partner."

Light truck partnerships are already in the news. The one between West German groups MAN, the heavy truck builder, and Volkswagen, Western Europe's major car builder, which share production of trucks in the six to ten tonnes range, recently has been renewed, even though it spectacularly failed to live up to original expectations.

And an imaginative deal — one which might start a trend — has been struck between Daf Trucks of the Netherlands and the Land Rover-Leyland division of state-owned BL in Britain for Daf to distribute Sherpa vans and Roadrunner light trucks via its Continental dealer network.

Ford's decision is, for the time being, perhaps the most significant. Not only did it

signal the US group's determination to quit heavy truck building in Europe, it also handed more power to Iveco, the Fiat-owned subsidiary which is second only to Daimler-Benz in the Western European heavy commercial vehicle business.

A new company, Iveco Ford Truck, has acquired Ford's only truck factory, at Langley, Buckinghamshire, in Britain, where the Ford Cargo range is built.

The deal gives Iveco, which has production facilities in Italy, West Germany and France, immediate access to Ford's strong dealer network in the UK.

However, the merger is restricted to Britain here a unified dealer network selling both companies' trucks has been set up. Iveco Ford Truck will supply the Cargo to Ford dealers in continental markets but the vehicles will not go to the Iveco network which will remain separate.

The arrangement also excludes the Ford Transit van although some heavyweight versions will be sold through the joint-venture network in Britain.

Ford of Britain and Iveco each own 48 per cent of Iveco Ford Truck with the balance held by London-based merchant bank Credit Suisse First Boston UK.

The management team of the new company believes that the Cargo can quickly regain for Ford about 18 per cent of the UK market for trucks over 3.5

tonnes gross weight, while Iveco's penetration is about 3 per cent.

They expect that the combination of Ford's distribution strength and the much-wider spread of trucks available because of Iveco's involvement will drive the new company to a 25 per cent market share by 1988.

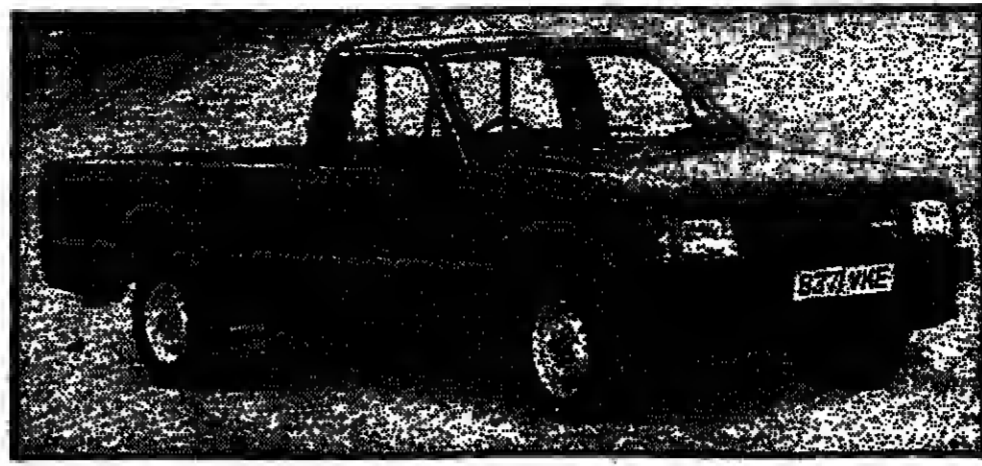
This is just one indication that the Ford-Iveco deal will have its major impact in the UK. And that means the other UK-based producers — BL's Leyland Trucks and Renault Truck Industries, the former Dodge Trucks concern which is now part of the state-owned French group — face a new challenge.

However, Leyland stands to gain a great deal from the distribution link with Daf. The Netherlands group is to sell through its dealers the Sherpa 300 heavy vans and the Light Roadrunner trucks.

This should strengthen the Daf dealer network and make it much more viable because the Dutch company produces only heavy trucks, mainly above 15 tonnes gross weight.

At the same time it provides Leyland Trucks with an opportunity for continental sales which do not exist through its limited dealer network across the Channel.

The deal excludes the UK, Daf's best export market, and does not stop the British company from making other arrangements to sell the vans and trucks through its own distribution channels.



Mazda's B2000 pick-up: Japanese makers are widening their ranges to compete in more sectors

Daf's European dealer network covers most of the important markets whereas Leyland has concentrated mainly on France, with limited success. Apart from being the market leader in heavy trucks in the Netherlands, Daf is also strong in Belgium, where it has a factory, and in France.

During the negotiations, BL estimated that the arrangements could add about 1,000 a year each to sales of the heavy Sherpa van and its Roadrunner light truck, launched in the autumn of 1984, to compete in the six to ten to 16 tonnes sector.

Leyland hoped for 3,000 Roadrunner registrations a year in the UK and 200 to 300 on the continent but has not reached that level.

The Roadrunner's impact in its domestic market has been limited by Daimler-Benz's new Mercedes LN range of trucks which replaced the 19-year-old LP models, also in 1984.

D-B invested more than DM 200m in the new LN range and estimates it will build and sell 25,000 a year.

Bedford was formerly part of Vauxhall Motors in Britain but in 1983 was hired off to become part of GM's world truck and bus group, based at Pontiac, Michigan.

GM has admitted that the world van project has been shelved and even the truck scheme must be in doubt now.

GM has been looking for a solution to the problems at loss-making Bedford for some time but seemed to have run out of potential partners when talks with the UK government about the acquisition of BL's Land Rover-Leyland division foundered on political rocks four months ago.

However, GM recently indicated that some fresh talks had started with a continental truck producer, but would not give any details.

GM's best bet for a significant presence in Europe was a potential deal with MAN — a deal which would have handed the US group MAN's 20 per cent of the West German market for trucks over 16 tonnes.

But the German establishment ensured that GM would not move in as a significant threat to Daimler-Benz. MAN was provided with cash to help it cover temporary financial difficulties when D-B bought MAN's half share of the large diesel engine producer MTU.

MAN's parent, GEB, has since taken full control (it previously had only 75 per cent of MAN) and set up the truck-producing company as a separate entity, MAN Commercial Vehicles.

Mr Wilhelm Lochte, chairman of MANCV, says the company is heading quickly back to financial health. It has also renegotiated its medium truck joint venture with Volkswagen.

Last year the joint venture sold 3,700 vehicles but output should improve to more than 4,000 for 1986.

Mr Lochte says the MAN-VW joint project is now breaking even financially and consolidation of production at one site will bring further economies.

Kenneth Gooding

Car-derived vans

Heavy French and UK sales

THE UK and France are odd countries out in Europe in having substantial markets for light vans, the vast majority of which are derived from cars. In other countries, like West Germany, most van operators have tended to run larger, purpose-built vehicles in which manufacturers such as Volkswagen and Daimler-Benz have long specialised.

Even so, some 496,200 light vans were registered in western Europe last year — a sharp increase on the 418,800 registered in 1984.

Sales have continued to accelerate this year, and reached 143,900 by the end of the first quarter.

The figures, however, include a small but growing proportion of "microvans" — the type built by Japanese van powered by engines of under one litre.

Until this year they were strictly an import from Japan. As of this spring, however, Bedford has been building its own version, the Rascal, based on a model from Suzuki, in which it has a 5 per cent stake, on its UK assembly lines at Luton.

Yet it remains far too early to start assessing its likely impact on the European market, as Bedford's initial concentration is on the UK, which it expects to account for most of the Rascal's 10,000-a-year output.

And the microvan still has a very long way to go before it presents any kind of threat to the well-established car-derived van producers, and Ford has been building its own Peugeot group (including Citroen and Talbot), the two French manufacturers.

In the past year, they have been locked in a struggle for domination of the light van market. But everyone else, including multi-nationals Ford and GM, is an also-ran.

The reason for the French domination is easy to see: last year 192,700 light van sales — well over a third of Western Europe's total — were in the French market. Those sales

were shared almost exclusively between Peugeot (44.5 per cent) and Renault (41.7).

But even the struggle with Peugeot came as a nasty shock to Renault, which as recently as 1982 had been taking 85 per cent of the total European light van market with its big duckling R4 model, first conceived in the 1960s but for many years easily Europe's best-selling commercial vehicle.

The balance began to tilt at the end of 1984. Renault was already in what now appears to have been the worst throes of its industrial relations and financial troubles. But its problems in the light vans stemmed mainly from the launch in October that year of a van based on Citroen's Visa model and built in Spain.

It was an instant success. Between 1984 and 1985 Renault's French market share plunged by nearly 14 points, all of which was picked up by Peugeot. The Visa van was a lot more than simply the windows paneled in. It has a specially-developed cargo box claimed at the time to give it the largest cubic capacity of any car-derived van.

But at the end of last year Renault launched its response — a specially-developed version of its new Renault 5 car called the Express in France and the Extra in the UK. With a 91.8 cu ft carrying capacity and engines ranging between 1.1 litre petrol and 1.5 litre diesel, it has turned the tables (along with the still in-production 4) no less sharply on Peugeot.

At the end of this year's first quarter, Renault was once again accounting for 30.8 per cent of the French market, with Peugeot's Visa van (in two colours and names — Van Express and Van Extra) accounting for 28.5 per cent. So complete is the two marques' domination in France that Daimler-Benz VW had only 3.5 per cent.

John Griffiths

Diesels

UK share to go up

A SHARP increase in the diesel engine share of the light van market is being forecast by manufacturers as a result of the new generation small diesels now on the market.

Around 25 to 30 per cent of the 120,000 to 130,000 light vans registered annually in Britain are diesel — and market forecasts indicate this could increase to more than 40 per cent. The biggest shift is likely to take place in the lighter vehicle sector where the diesel share is currently running at 15 to 20 per cent.

Already, some vehicle manufacturers are benefiting from the swing. About half of Astra van sales are diesels. For example, Agata, Ford Motors, in its annual report for 1985, ascribes the retention of its lead in the light van market (it achieved a 7.6 per cent increase in sales in this sector in 1985) to the success of the Escort van, citing as a main reason the offering of its 1.6 litre diesel engine as an option.

The Transit also remained a success at Ford last year in spite of the fact that the old Transit model was being phased out. Prior to its replacement, a running down of sales might have been expected. This did not happen; Ford Transit registrations last year went up 1.8 per cent over 1984's figures, a fact that was almost certainly due to the success of Ford's direct injection engine introduced for the Transit in March, 1984.

Almost half of 1985-registered Transits were fitted with this 2.5 litre direct injection diesel, Ford reports. This also underlines the success of switching technology — from indirect to direct systems.

The reason why diesel engine manufacturers are switching to direct injection is that engines using this technology are around 15 per cent more efficient and consume less fuel.

They burn fuel more cleanly; thus, lubricating oil remains clean over a longer period, thereby extending oil change and engine service intervals.

Direct injection also results in reduced engine operating temperatures and this, by reducing the strain on engine components, prolongs engine life. A further advantage is better starting, especially at low ambient temperatures.

Perkins is looking for a similar success story to Ford for the direct injection, two-litre diesel, developed in co-operation with the Austin Rover Group. The engine's direct injection system, intended for car as well as van use, could prove to be a substantial cost-saver. It is forecast as offering a 15 to 20 per cent better fuel economy than indirect injection diesels and a 40 per cent improvement over petrol systems.

Manufacturers consider that this question of lower fuel consumption will be the critical factor in accelerating the swing to diesel. The pay-back period on the extra cost of a diesel (£500 to £750, according to make and capacity) will be cut substantially; in other words, the initial higher investment will be recouped more quickly.

Diesel fuel costs less than petrol, so there is a built-in price advantage. In the UK, however, the differential on price is not comparable to that enjoyed in some European countries where tax systems strongly favour diesel engines. There is, however, a possible change in the UK company car income tax laws which should boost diesel car use — the raising of the tax threshold from 1500cc to 1600cc and 1800cc to 2000cc, which will certainly have an impact on the Perkins unit.

Perkins recently tailored one of its engines for Renault Truck Industries for the latter's Dodge 50 series vans. This was the T4.38 engine which develops

67kW (90bhp) at 2600 rev/min. The T4.38 replaces the naturally aspirated 6.247 engine and benefits from both direct injection and turbocharging and serves to demonstrate the demand from vehicle manufacturers for the technology.

Work on producing these more fuel-efficient direct injection engines has been going on throughout Europe, of course, and Iveco was one of the first companies to take advantage of the concept when it introduced the 3.5 tonnes gvw Iveco Di Turbo-Daily.

This fits the SOFIM 2.45-litre direct injection turbocharged diesel. Iveco pointed out when announcing this that, compared to the earlier pre-chamber model, specific fuel consumption had been improved by 18 per cent, 27.8 per cent more power — from 54 kW (72 bhp) to 69 kW (92 bhp) — and maximum revs reduced from 4,200 revs/min to 3,800 revs/min. A massive increase in maximum torque accompanied the change. This increased 47 per cent from 106.4 lbf ft to 150 lbf ft.

A measure of the impact on servicing is that it was possible with this engine to adopt a double oil filter which meant an oil change every 10,000 km (compared with 7,500 km on the earlier models) and a filter cartridge change every 20,000 km (instead of 15,000 km).

This engine is soon to be fitted in the Fiat Ducato 3.5 tonnes gvw, shortly due to make its debut. This version will not be available in the UK until 1987.

The move to direct injection has also taken place at Daimler-Benz. When the Mercedes T2 van range was launched recently, one of the features was the offer of three direct injection diesels in the heavier models (the range goes up to 7.5 tonnes gross weight).

Eric Gibbins

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Top: BL's Maestro van; centre: the new Renault Extra; and Citroen's new Van Rouge

Eric Gibbins

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Vans and light trucks 7

Four-wheel drive

Fighting hard in a changed market

LAND ROVER, Europe's leading four-wheel-drive vehicle manufacturer and once British Leyland's most successful producer, attracted attention earlier this year when it became known that General Motors of the US was proposing a takeover. Nor did Land Rover's losses in recent years deter other potential bidders once it emerged that the Government might consider selling the state-owned company.

The political furor, particularly the emotional reaction of Tory backbenchers who claimed that part of Britain's heritage would be lost to the Americans, forced a retreat. The Government has pledged Land Rover will remain part of the State-owned group "for the foreseeable future." Mr Graham Day, new chairman of BL, which has now been renamed the Rover

Group, has ordered an audit of Land Rover along with the other companies.

The picture that will come back is of a company operating in world markets that have shown dramatic changes in recent years. Until the late 1970s, light four-wheel-drive vehicle sales were relatively low, often directed to off-road uses by farmers, construction workers and the armed forces.

But starting in the US a new and fashionable market for four-wheel-drive vehicles grew rapidly. They were regarded as a fashionable form of leisure transport, the sort of vehicle to be seen in and unlikely to be put to the test along jungle

tracks or over rugged hills. American Motors Jeep Corporation, in which Renault now has a 48 per cent holding, reports that 93 per cent of Jeeps are now bought for use on the highway compared with only 17 per cent in 1978. Though 80 per cent of customers express the desire for off-road capability, only 7 per cent frequently put their Jeeps to such use.

The Japanese, already with a presence in the US pick-up market, moved quickly to exploit the growth sector offering light, cheap vehicles which combine the comfort of a saloon car with the ability to perform in off-road conditions. In 1981 output of the Japanese-made Toyota Land Cruiser overtook that of Jeep. Japan, from accounting for about 25 per cent of the world market, now holds 50 per cent.

Jeep responded to the Japanese competition and the need to produce lighter, more fuel-efficient vehicles in the wake of the oil crisis of the mid-1970s by developing the new SJ series. Ford has similarly introduced a "down-sized" version of its Bronco range.

The Japanese challenge was not directed merely at the US market. Land Rover has also come under attack in the developing countries and Europe. Competition includes Toyota, Nissan, Mitsubishi, Daihatsu, Suzuki and Isuzu.

Automotive Industry Data in a research study of European four-wheel-drive prospects to 1991, maintains that Japan's domination of the light utility sector will continue. "The apparent inability of West European manufacturers to meet the current and future market demand with the right products for this sector is expected to continue throughout the forecast period."

AID contrasts the rapidly-rising West European sales with fairly static local manufacture. Production hovered around the 7,500 vehicles a year level during the period from 1979, showing a marked increase only in 1985. During that time sales soared from under 69,000 to more than 153,000.

The study suggests sales will more than double to 318,000 units a year by 1991. European production, however, even including local assembly of Japanese designed vehicles, is projected to climb only to 135,000.

AID comments: "Current production plans are clearly inadequate to meet the demands of the sector and the Japanese will continue to meet the shortfall through increasing quantities of direct imports."

Land Rover is clear about its market strategy and believes it has taken the measures necessary to establish profitability. The rapid rise of Japanese competition is but another factor that has served to intensify the pressure at a time when export markets were undergoing dramatic change.

Political and economic problems have cut into orders from the traditional markets of the Middle East and Africa. For example, Nigeria, which in the 1970s might have taken 5,000 Land Rovers a year, is likely to buy perhaps only 50 this year.

Accordingly, Land Rover has switched the marketing effort from the Third World to the developed economies. A £20m military contract to supply vehicles to Australia over the next five years has just been won. Model changes have been made to the Land Rover to offer car comforts in order to make it more attractive to the European leisure market.

But the company insists that in the drive to meet the challenges of changing markets it will never compromise Land Rover quality, reliability and durability. The aim is to build on the vehicle's strengths in the heavy duty end of the market, even if it means other prospective customers might have to pay a price premium.

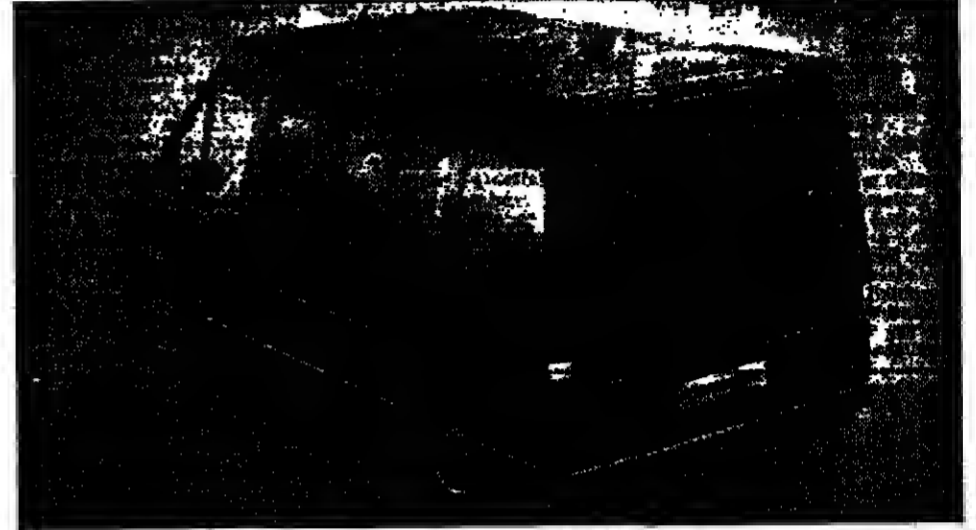
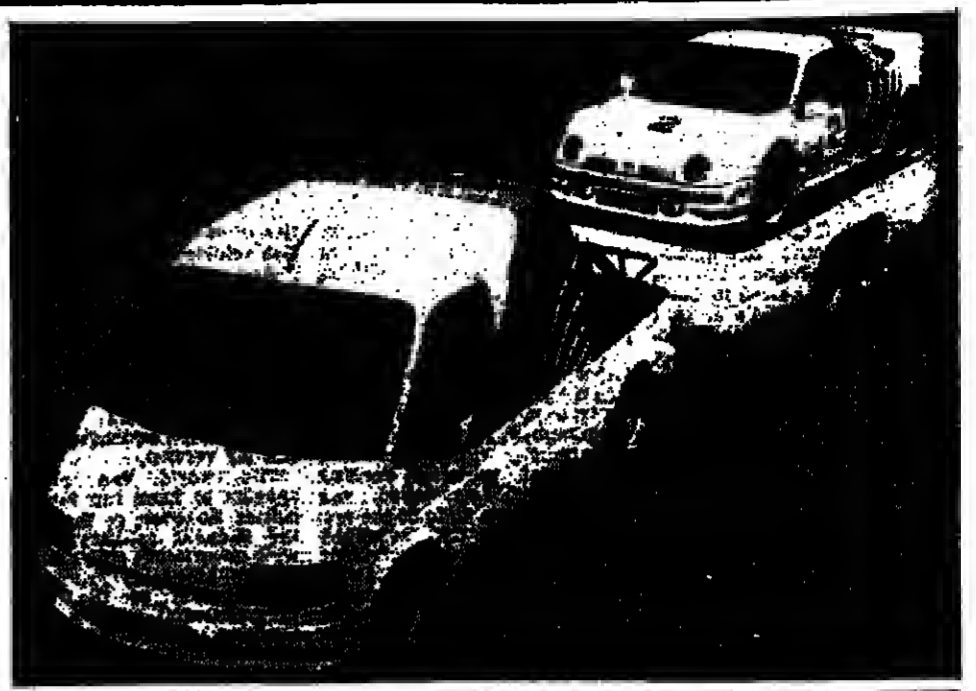
The Range Rover, designed initially for the US market but held back for price and exchange rate reasons, is now due to be launched in North America next year. A network of 60 dealers—importers of top-quality European makes—is being recruited. The Range Rover is seen as a competitor in the luxury car market against conventional cars such as the Porsche, Mercedes and Jaguar.

The top of the range "Vogue" model, launched in the UK last October and selling at just under £20,000 has boosted sales in the home market by 45 per cent in the first half of this year. Range Rover registrations beat 8,000 for the first time last year—a jump on the 2,500 of 1984.

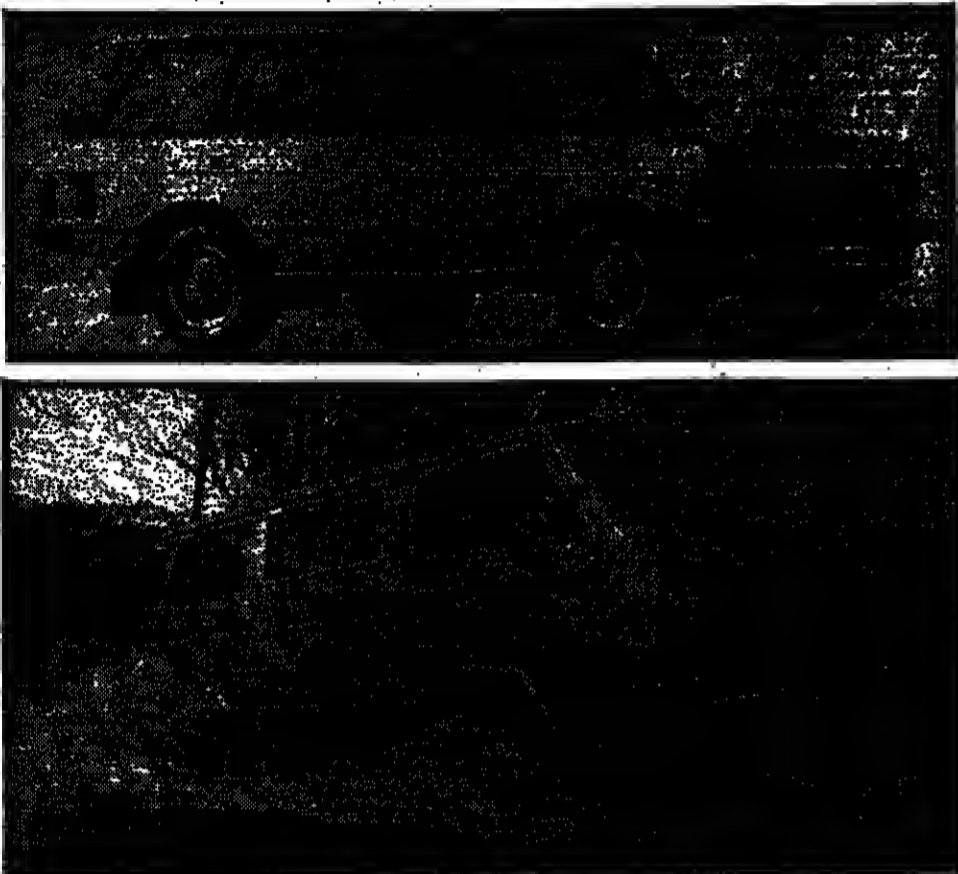
Sales in Europe, which climbed to more than 4,300 last year, are expected to increase with the recent launch of a diesel-engined version in France and Italy. But the main hopes rest on the North American market where sales next year are projected at 2,000 to be followed by 8,000 in the first full year. No one is making a public forecast beyond that, but the optimism is clear.

Mr Day as the Rover Group chairman will clearly be anxious to assess the profit prospect. Rover made a slim trading surplus on a turnover of £521m last year, an improvement on the £4.7m net loss of the previous year. The benefits to the company of a rationalisation programme which involved closing seven satellite plants and saving 1,000 jobs should be felt for the first time this year.

Arthur Smith



These two concept vehicles by Ford, displayed at this year's Geneva Truck Show, give a glimpse of the vehicles of tomorrow. The Tug (top) based on the new Transit van, combines a luxurious interior with go-anywhere performance and can be used, for example, as a rally support vehicle. The Chasseur, also Transit-based, is a five-seat, air-conditioned leisure vehicle with individual telephones for each passenger.



Top: BL's Range Rover, to be launched in the US next year. Above: Volkswagen offers its best-selling Transporter van with 4WD.

John G

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Vans and light trucks 8

Electric Vehicles

Ready for regular production

ANOTHER MILESTONE on the roadgoing electric commercial vehicle's slow progress towards viability will be passed in October. From the middle of that month, one-tonne payload electric CF2 vans will be coming down the Luton assembly lines of Bedford, General Motors' UK commercial vehicles subsidiary, as part of regular van production and at a planned rate of 500 a year.

Half of the first year's production, according to Mr Ken Mallia, Bedford's electric vehicles manager, has been sold to public utilities like—naturally—electricity boards.

And after a month of "road shows" around the Midlands, ending in early July—in which for the first time Bedford was targeting ordinary commercial operators—Mr Mallia has few fears about whether the rest will be sold.

The road shows were undertaken in conjunction with the East Midlands Electricity Board and Lucas-Chloride EV Systems, the joint venture company between Lucas and Chloride which, with some EMB of government backing, has developed the vehicles' world-leading drive system.

The 300 electric CFs Bedford has already built were also assembled on Bedford's "ordinary" van lines, alongside the company's petrol and diesel-powered CF2s add the

smaller Midi and Rascal models. But they were built in two batches, for evaluation both in the UK and overseas, with the last of the second batch completed late last year.

The electric CF's potential importance extends to far outside the UK. GM, while conducting its own, continuing, research programmes in the US into potentially viable electric commercial vehicles, decided that the UK-developed van represented the state of the art. And nearly 40 CFs, rebadged as GM Griffons, are currently undergoing extensive US under public utilities in the US under a programme being co-ordinated by the US Electric Vehicle Development Corporation.

If all continues well, this fleet will be increased to nearly 1,000 vehicles over the next few years.

GM is showing more than a passing interest in the UK electric vehicle on the basis of research it carried out a couple of years ago indicating that up to 3.5m light commercials in North America, mainly on urban delivery work, were potential candidates for being switched to electric operation, for both environmental and fuel economy reasons.

Since then the picture has been slightly clouded by two factors.

The collapse of the oil price, which is diminishing the incen-

tive of operators to sell alternative vehicles to petrol or diesel. And, second, GM's problems with its own light commercial production planning. It had planned to produce a "world" van by the end of the 1980s, suitable for all markets. This would certainly have meant the end of Bedford's CF, with unknown consequences for the electric version.

The world van planning appears to have run into difficulties, however, so the CF for the moment soldiers on, but with uncertainty still surrounding its long-term future.

Evaluation of the electric CF's potential is by no means confined to the UK and North America, however. Currently it is undergoing trials with a total of 70 operators worldwide. Six have gone to Japan, including two provided to Chubu Denrokyu, a major utility which supplies electricity to the central, and most heavily industrialised, region of Japan.

In addition they have been exported to Denmark, Sweden, West Germany, Israel and Hong Kong. The Republic of China has also placed trial orders.

The performance of the vans is far removed from that of the milk float. They are fully "traffic compatible" in the jargon of the electric vehicle industry. That means the vans have a top speed of about 50 miles per hour, and accelera-

tion to match that of conventionally-powered vans.

The constraint, of course, is range — currently 50 to 60 miles between charges using the latest types of lead acid traction battery. Even so, research by Bedford and its partners in the project have shown that this is adequate for a wide variety of light commercials on fixed urban delivery routes.

Until recently, and despite claims that the electric vehicles are already competitive with conventional vans in terms of whole-life costs, there has been some scepticism about whether the vans could ever be serious rivals because of their initial cost.

When the CF electric was launched, it had a price, including batteries, of some £10,500. But this was after a subsidy provided by the Department of Trade and Industry equivalent to about £4,000 per vehicle.

So the £14,000 "true" price was approaching triple that of the petrol or diesel version.

Right from the launch, in April 1984, Bedford argued, however, that you simply could not look at electric vehicles that way. For the battery pack and its charger, accounting for nearly half the subsidised price, had to be viewed as a fuel, not capital, cost as an average the batteries would last for four years.

In any case, Mr Mallia pointed out, the DTI's subsidy was to encourage "market entry" for electric vehicles. As the production of more vehicles allowed costs to be spread, so the need for the subsidy would diminish.

So it is proving. When the series production electric CF2s go on sale in the autumn, they will be at the original launch price — despite the fact that by then the DTI subsidy will be only 40 per cent of the 1984 level.

Based on current production plans, what appears increasingly unlikely to be realised is a prediction made in 1984 by marketing director Mr Des Savage that the UK market for such vans — which are being made in limited quantities also by Freight Rover, the Rover Group (formerly BL) van subsidiary, could reach 4,000 units a year before the end of the decade.

Diminishing concern about fuel prices almost certainly has put paid to that prospect.

But that situation could yet be changed if trials of a CF2 fitted with a new "super-battery" and which are due to start before the end of the year prove successful.

The battery, developed by Chloride Silent Power, uses sodium and sulphur as its couple. With the battery pack made up of hundreds of



Individual cells about the size of a torch battery, it can be arranged in strings easily adapted to underfloor spaces in the vehicle.

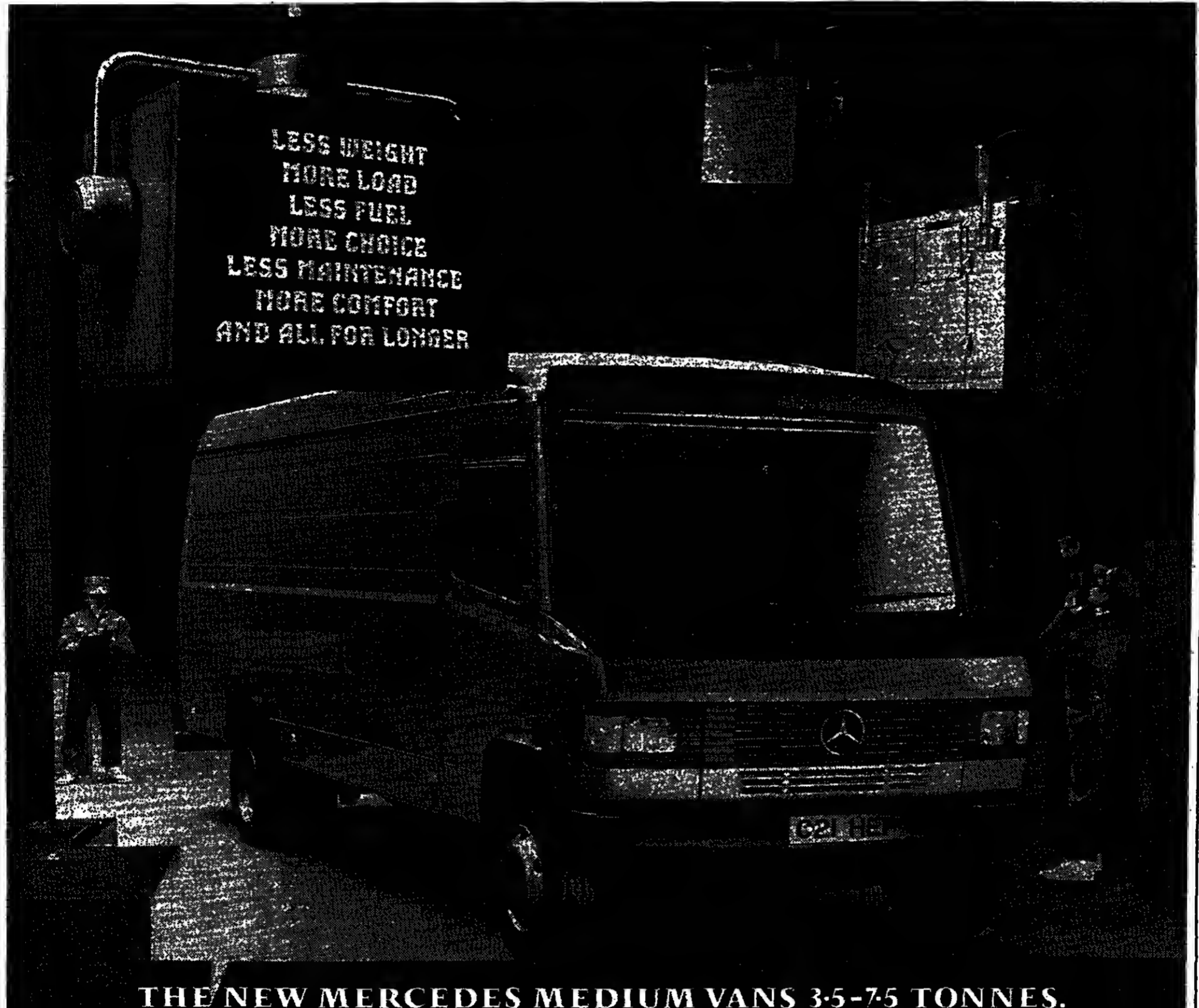
Chloride says it believes the battery could be in commercial production before 1990, and that because of the cheapness and free availability of the couple materials, it could be cheaper than lead acid units.

From the electric vehicle manufacturers and operators' point of view, however, the real bonus is that the vans' range with a one-tonne payload could be tripled to 150 miles, or payload much increased, because the "superbattery" pack will be far lighter than lead acid units.

John Griffiths



Above: One of six Bedford CF2 vans arrives at the container depot for shipment to Japan. Below: Cab of the Bedford Midi van with its high-backed driver's seat



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709D	4.4t 5.0t 5.5t 6.0t
811D	5.0t 5.5t 6.0t 7.5t
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Driver's view
Vehicles much easier to use

FOR THE delivery driver life gets progressively tougher, with increased urban traffic congestion and proliferation of yellow lines in shopping streets. He is also in many instances having to get to grips with computer-generated paperwork, as delivery notes take the form of yet-more print-outs.

There are, however, compensations. Today's vans and chassis designed for multi-drop operation are far in advance of their predecessors from the driver's point of view.

At the end of a day making perhaps 40 or 50 deliveries, a driver of a mid-1980s van or truck is less fatigued both physically and mentally than his 1960s counterpart.

Reduced interior noise is an important contributory factor. Fundamentally new ranges introduced this year, like Ford's redesigned Transit, Renault's car-derived Extra, and, most recently, Mercedes's 3.5-7.5 tonnes big T2 vans, are two to three decibels quieter than the models they supplant.

Vibration and harshness, regarded by vehicle engineers as integral elements in the noise-reduction challenge, have also been cut quite sharply, largely as the result of computer analysis of structural dynamics—how vehicle components, from engine valve covers to van side panels, "behave" across a spectrum of resonance loads and frequencies.

Weight of insulating material rather than its nature has come to be regarded as crucial in bringing down noise levels. The Mercedes T2 has 77 lb (35 kg) of high-density mineral felt in the cab area alone, much of it lining the removable cover shrouding the rear end of the diesel engine.

Relatively minor changes to vehicle controls, bringing them more readily to hand (or foot) and simplifying their operation have further helped to enhance driver perception of the new vehicles. Better placing of instruments, switches and knobs in more thoughtfully laid-out fascias has also played its part in making vans and trucks as easy, even relaxing, to drive as the average passenger car.

There however is the rub, in that for multi-drop town delivery work a car-like layout is far from ideal. It comes down to the ergonomics of a van driver's job—the ease with which he can get in and out of his vehicle.

Sloping, bending, twisting and other contractions, possibly while carrying delivery (or collection) consignments, are obviously to be avoided if possible through proper attention to ergonomics.

Right down at the end of the Mercedes commercial vehicle weight range, for payloads of up to 10 to 12 cwt (500-600 kg), car-derived vans (and pick-ups) have traditionally been accepted as the norm. Vans like the Ford Escort, Bedford Astra and Austin Maestro continue to sell in larger numbers to High Street traders.

A car-derived van by definition offers a car-like seating position, to give high levels of comfort, once the driver is behind the wheel. But for undertaking high-frequency deliveries, he might have to get in and out as many as 10 times an hour.

While vehicles like the Ford Transit and Mercedes T2 are purpose-designed for easy step-in access to the driving seat, passenger cars are not, and neither are car-based vans. Seats are too low, the door sills are also too low. A diagonal line in shopping streets, or stomach cramp and/or hitting his head on the door frame, are not uncommon.

Why cannot manufacturers make their smallest vans as suited ergonomically, to drop working as their one new? The prime reason is of manufacturing cost, for volumes justified by the size market.

However, in their inimitable way, the Japanese grasped the nettle in the early 1970s, developing what have come to be known as microvans, one of which, the Suzuki Super C is now being assembled by Bedford at Luton for bad under both marque names.

Like the rival Honda Daihatsu sold in Britain, flat-fronted forward-control vans, the Mercedes T2 vans, are two to three decibels quieter than the models they supplant.

Significantly, the Mercedes T2 vans are 16 in (406mm) "taller" than Bedford's car-derived Astravan.

You can step into a T2 van almost as easily as can enter a bigger van like Transit or Bedford CF. The seating position is, incidentally high for the driver, see over cars in front. Micro drop work is thus ergonomically more acceptable to micro drivers than to counterparts in a car-derived van.

On the negative side, price for that ease of cab egress is somewhat cramped, the upright, driving post. Because the micros are narrow, elbow room is restricted, especially when a scanner is carried.

Image-wise, microvans are the macho truck driver's drome as far as the "word" direction as it is possible to go. The narrowness of the vehicle suggests a lack of heft. The fact remains micros are immensely practical for in-town delivery work.

Both the Transit and bigger Mercedes T2 vans carry the stamp of ergonomically-influenced 1980s design. Cab entry, in cases, is set well behind front axle for easy no-hat driver access. Cross-cab seat for the driver needing to get out on the kerbside in a crowded street is made easier by the same taken a t crew member can be accommodated in greater comfort.

Wider door openings into cargo space feature on new ranges. The sliding loading door, listed as an option on the Mercedes, even accept a full-sized 4 (1m)-wide pallet. Min effort is needed to open door and a recessed floor with a much lower level makes it much easier to get up into the loadspace.

Aesthetically, bigger vans and their chassis-cab equivalents set increasingly standards internally, a closely emulating passenger levels of trim and refinement. Some hard-bitten transport managers might say that drivers are getting spoiled, and that a plush, durable cab interior is undeniably important co-factors to the demand for greater driver, and hence operational, efficiency.

Alan Bunt

SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Tuesday July 15 1988



Guinness drop separate board for Distillers

BY DAVID GOODHART IN LONDON

GUINNESS, the UK brewing and retail group, announced yesterday that Sir Thomas Risk, the governor of the Bank of Scotland, would become non-executive chairman of a new joint board as proposed at the time of its successful bid for Distillers earlier in the year.

The company also admitted that it no longer planned to set up a separate board at all. In its offer document of March 3 it stated that such a board would be formed from senior executives of Guinness and Distillers and would include non-executive directors such as Sir Nigel Brookes, chairman of Trafalgar House.

Mr Chris Davidson, Guinness's senior press spokesman, said that the decision not to establish a separate board had been made after consultation with major shareholders who were concerned to see Distillers streamlined and not have even more tiers of management grafted on.

He added that Guinness still intended to shift its headquarters to Scotland, as promised during the bid, and register as a Scottish company.

Sir Thomas Risk was not available for comment yesterday. The

Guinness camp however was suggesting that there had been some friction between him and Mr Ernest Saunders, the Guinness chief executive, over the amount of banking business that would go to the Bank of Scotland.

Board changes following the Distillers takeover will now be based on the original Guinness board and as a prelude to those changes it was also announced yesterday that Mr Saunders would become chairman and chief executive of the company. Previously he had been deputy chairman and chief executive. The Earl of Inverch, the current chairman, will become president.

Although Mr John Connell, the former chairman of Distillers, is expected to retire soon, it is likely that his younger brother Mr David Connell will join the Guinness board from Distillers.

However, Mr Victor MacColl, an assistant director of Kleinwort Grieson, which acted for Distillers during the takeover, said: "It is unfortunate that an unnecessary proposed structure was put together when we all knew that it was Ernest Saunders' management that would end up running the new business."

Zanussi in profit after five years of losses

BY ALAN FRIEDMAN IN MILAN

ZANUSSI the leading Italian home appliance maker which is controlled by Electrolux of Sweden, emerged from five years of losses with a £5.2bn (£3.5bn) net profit in the first four months of this year. The result compares with a £24m loss in the first four months of 1985 and Zanussi is now predicting a 1988 full year profit of "several tens of billions of lire" against the 1985 deficit of £32.4bn.

Under the management of Mr Gianmario Besigoglio, the Zanussi chairman installed in late 1984 by Electrolux, the Pordenone-based white goods maker has been undergoing significant rationalisation and restructuring. Zanussi has em-

barked on a programme of factory automation which is part of £340bn of capital investments over the next three years.

Last year Zanussi's £32.4bn loss on sales of £1.677bn already represented an improvement on 1984 losses of £2.5bn (on sales of £1.798bn). For this year Zanussi is predicting a 10 per cent rise in revenues, to £1.845bn.

Apart from capital projects, Zanussi is also following a multi-agency programme of rationalisation, which should see the group workforce in Italy down from around 16,000 at the end of last year to 11,000 or 12,000 by 1988.

J. P. Morgan earnings rise 50.6%

BY WILLIAM HALL IN NEW YORK

J. P. MORGAN, parent of Morgan Guaranty Trust, yesterday began the second quarter reporting season for the major US money centre banks, by announcing a 50.6 per cent jump in net earnings to \$237m for the three months to end-June.

Morgan's earnings, which resulted chiefly from increases in non-interest operating income and securities gains, as well as from higher net interest earnings, overshadowed yesterday's results from other leading US money centre banks. Chase Manhattan, Morgan's largest but less profitable rival, reported a 11.4 per cent rise in its second quarter net income to \$146m and Chemical New York, parent of New York's fifth biggest bank, announced an 8.4 per cent drop in second-quarter net income to \$96.3m.

Chase said that its earnings were boosted by higher net interest in-

come, higher fees and foreign exchange trading profits, plus investment gains and a \$3m after-tax gain on the sale of Chase's interest in a Japanese leasing company. These favourable factors were partially offset by increased operating expenses and a higher loan loss provision.

Chemical said that its second quarter results were depressed by lower gains on the sales of investment securities, losses in the trading account and a larger provision for loan losses. Irving Bank, one of the smaller New York money centre banks, reported a 6.5 per cent rise in second-quarter net income to \$34.1m.

First Chicago's biggest banking group, reported net income of \$63.6m in the latest period, compared with \$11.7m a year ago when earnings plummeted because of un-

expected losses at a Brazilian affiliate. Northern Trust, one of First Chicago's local rivals, announced a 42 per cent rise in its second quarter earnings to \$8.5m.

Most major US banks are experiencing strong gains in net interest income at the moment. Morgan's net interest earnings on a tax-equivalent basis rose by 24 per cent to \$522.8m in the second quarter, while Chemical's net interest income rose by 11.3 per cent to \$500.3m. It said that spreads benefited from a slowly declining earnings rate compared with a more rapidly falling funding rate.

Morgan's earnings continue to be underpinned by very strong growth in its non-interest operating income which rose by two-thirds to \$377.1m in the second quarter. A healthy increase in corporate finance fees boosted earnings from the category

with \$11m a year ago. Morgan continues to set a standard for the rest of the US money-centre banks by boosting its primary capital since 1985 by \$469m to just over \$6bn giving it a primary capital ratio of 8.23 per cent. A year ago the ratio was 7.83 per cent. Chemical has also increased its primary capital ratio from 6.51 per cent to 7.35 per cent over the same period.

For the first six months of 1988, Morgan's earnings are 48.2 per cent ahead at \$479.8m or \$5.14 per share. Chemical's earnings are 2 per cent higher in the first half at \$200.9m or \$3.70 per fully diluted share. Its shares shed \$1 to \$47½ in early trading yesterday. Chase's shares also slipped by \$½ to \$40½ in early trading yesterday. Its six month earnings are 9 per cent ahead at \$269m or \$3.30 per share.

Chase's non-performing loans of \$2bn at the end of June are down from last year's \$2.4bn but still account for 3.1 per cent of total loans. Morgan's non-performing loans continue to decline and at the end of March totalled \$572m compared

with \$684m a year ago. Morgan's earnings are 48.2 per cent ahead at \$479.8m or \$5.14 per share. Chemical's earnings are 2 per cent higher in the first half at \$200.9m or \$3.70 per fully diluted share. Its shares shed \$1 to \$47½ in early trading yesterday. Chase's shares also slipped by \$½ to \$40½ in early trading yesterday. Its six month earnings are 9 per cent ahead at \$269m or \$3.30 per share.

Standard Chartered shares lose 57p

BY NICK BUNKER IN LONDON

STANDARD CHARTERED, the British-based international bank, saw 57p wiped off its share price on the London stock market yesterday in the aftermath of its escape on Saturday afternoon from the hostile £1.3bn (£2bn) takeover bid by Lloyds Bank.

The fall left Standard Chartered's shares trading at the close last night at 71½p, down from 77½p on Friday evening. It also left Standard Chartered's three leading saviours, Sir Yue-Kong Pao, Tan Sri Khoo Teck Puet and Mr Robert Holmes & Court holding between them paper losses estimated at £38.7m.

Sir Y. K., the Hong Kong property and shipping magnate, Tan Sri Khoo, a Malaysian businessman, and Mr Holmes & Court, the Australian financier, acquired stakes totalling about 27.3 per cent of Standard Chartered in two days of hectic buying late last week which successfully frustrated Lloyds' three-month-old bid. They are thought to have bought into the bank at prices

of about 81½p per share. Sir Y. K., who holds an estimated 14.9 per cent of Standard Chartered, was reported to have said in Hong Kong that his purchase was a long-term investment made with his own funds. Yesterday's share price fall leaves him holding losses on paper of about £21.7m.

Brokers' analysts took the view yesterday that the bank would have to act quickly to demonstrate that the presence of the new major shareholders would be a catalyst for reorganisation and streamlining of its global operations.

Mr Michael McWilliam, Standard Chartered's group chief executive, has indicated that he would support a plan to float separate parts of the business on foreign markets, such as Hong Kong and Singapore. There was speculation among analysts that the leading role played by Mr McWilliam in defeating the Lloyds bid would strengthen his personal position within the bank, giving him the authority to push through changes in its operation.

PepsiCo acquires Seven-Up's overseas interests for \$246m

BY TERRY DODSWORTH IN NEW YORK

PEPSICO, the US soft drinks manufacturer, has moved to strengthen its position in international markets with the acquisition of the overseas interests of Seven-Up for \$246m in cash.

Seven-Up, which is one of the leading producers in the expanding lemon-lime category of the soft drinks business, was placed on the market some time ago by Philip Morris, the tobacco group which bought the company for \$520m eight years ago. PepsiCo made a \$380m bid for the whole of the drinks group earlier this year, but was thwarted by the US anti-trust authorities, who opposed the deal on the grounds that it might reduce competition.

Analysts believe, however, that PepsiCo has acquired the strongest part of Seven-Up in its international division, which is believed to be the third largest soft drinks compa-

ny outside the US. The company operates in 85 countries, and is one of the leaders in the fast-growing lemon-lime category - a part of the market accounting for about 15 per cent of the total soft-drinks market outside the US against around 7 per cent within the US.

Philip Morris has struggled to make money on Seven-Up because of its lack of supporting soft-drink brands, but Wall Street believes that PepsiCo will be in a better position to turn a profit on the company because the deal will allow it to make improved use of its bottling and marketing facilities. PepsiCo should be able to use its expanded network to increase its distribution of Slice, its own lemon-lime juice brand, while Seven-Up will have the backing of the larger group's promotional organisation.

The addition of Seven-Up International will greatly improve our competitive position overseas for a number of reasons," Mr Robert Beby, Pepsi-Cola International's president, said yesterday. "It expands our presence in the burgeoning lemon-lime category; it strengthens our network of franchised bottlers; and it will increase the efficiency of our respective manufacturing, distribution and marketing systems."

The acquisition of Seven-Up International comes in a period of consolidation in the soft drinks industry. Coca-Cola, the leading producer in the sector, has also launched a bid for Dr Pepper, although it is by no means certain that this will go through against opposition from the anti-trust authorities. Philip Morris is, in addition, believed to be considering several proposals for the purchase of the US business of Seven-Up.

Singer approves sewing spin-off

By Our Financial Staff

SINGER, the Connecticut-based aerospace and marine equipment group, has finalised plans for the spin-off of its sewing and furniture operations and predicted a sharp rise in second-quarter earnings. The company said its board approved the spin-off, which has been under consideration for some months. The spin-off businesses will begin to function as a separate entity known as SSMC, which will continue to manufacture and sell Singer-branded sewing machines and furniture products.

Singer said shares in the new company would be distributed as a special dividend after registration is completed with the US Securities & Exchange Commission. This is expected to take place before the end of September and will be at the rate of one share in the new company for every four Singer shares currently held.

Singer itself will keep 15 per cent of SSMC's common stock and a class of its preferred stock. Mr Joseph Flavin, Singer's chairman and chief executive, said. The spin-off completed Singer's transformation into an aerospace electronics company.

On earnings, the company estimated that its second-quarter net income was about \$22m or 99 cents a share, compared with \$12.2m or 61 cents a year earlier, when there were fewer shares outstanding.

The latest results, however, were heavily distorted by special factors, the largest of which was a \$10m after-tax gain on the sale of the company's controls division to Eaton. This, and a \$1m tax credit, were partially offset by write-offs on remaining start-up costs of the Simulite division, provisions relating to the spin-off of the sewing and furniture operations and accounting changes on the aerospace side.

Hoffmann-La Roche to sell interferon in UK

BY TONY JACKSON IN LONDON

HOFFMANN-LA ROCHE of Switzerland has received official UK clearance to market interferon, its anti-cancer treatment, for the Aids condition Kaposi's sarcoma.

This is Roche's first clearance to sell interferon, a naturally occurring substance mass-produced by biotechnological techniques, in the UK. In June it received clearance in Switzerland for use in treatment of two cancerous conditions, Kaposi's sarcoma and hairy cell leukaemia, and in the US for hairy cell leukaemia only.

Kaposi's sarcoma is the most commonly occurring cancer among Aids victims. Roche said it affected some 30 per cent of patients.

Roche, one of three drug companies around the world engaged in developing interferon commercially, has worked jointly with Genentech, the Californian biotechnology company, Schering Plough of the

US has adopted a similar joint approach with Biogen, while the third competitor, Wellcome of the UK, has worked on its own.

Although Roche's licence for treatment of Kaposi's sarcoma is the first granted in the UK for the condition, Roche still lags behind Schering in the total number of interferon licences granted around the world.

Schering has clearance for treatment of Kaposi's sarcoma in Belgium, Ireland, Luxembourg, Colombia, Chile and the Philippines, and for treating hairy cell leukaemia in major markets including the US, the UK and Canada. It also has a scattering of licences for treatment of other rare cancers such as multiple myeloma.

Roche has a licence to treat Kaposi's sarcoma in the UK and Switzerland, and for hairy cell leukaemia in the US and Switzerland.

NL rejects bid offer

NL INDUSTRIES, the US energy group, said its board had unanimously rejected the \$15.125 a share tender offer by an affiliate of Mr Harold Simmons, the Texas investor, and voted to spin-off NL Chemicals to NL shareholders on a pro-rata basis, Our Financial Staff writes. The company said its board believed the Simmons' offer, worth about \$940m, substantially under-

valued NL. It said the spin-off was designed to achieve for NL stockholders a market valuation which better reflected the value of NL than the Simmons tender offer.

SCIENTIFIC-ATLANTA, the US satellite and cable TV equipment business, will report a loss for the fourth quarter and fiscal year ended June 30 as a result of a one-off writedown of about \$16m.

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Banque Générale du Luxembourg S.A.
in Luxembourg

July 15, 1988

Notice of Prepayment
**THE TOYO TRUST AND
BANKING COMPANY LIMITED**
(Incorporated with limited liability in Japan)
U.S. \$10,000,000
Redeemable Negotiable Floating Rate Dollar
Certificates of Deposit No. 000041 to 000060
Issued on 3rd August, 1983,
Maturity 5th August, 1987,
Callable on 5th August, 1986

Notice is hereby given in accordance with the conditions of the above
Certificates of Deposit (the "Certificates") as printed on the reverse of the
Certificates that the Toyo Trust and Banking Company, Limited
(the "Bank") will prepay all the outstanding Certificates on 5th August,
1988 (the "Redemption Date") at their principal amount.

Payment of the principal amount, together with accrued interest to the
Redemption Date, will be made on the Redemption Date against
presentation and surrender of the Certificates at the London branch of the
Bank.

Interest will cease to accrue on the Certificates on the Redemption
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Bucklersbury House, 5th Floor, 83 Cannon Street,
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15th July, 1988

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(B)

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15th July, 1988

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U.S. \$125,000,000



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- Orion Royal Bank Limited
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The issue price of the Notes is 100 per cent. of their principal amount. Application has been made to the Council of The Stock Exchange for the Notes to be admitted to the Official List. Interest will be payable annually in arrears on 24th July of each year, beginning on 24th July 1987. Particulars of the Notes and the Province of Saskatchewan are available in the statistical service of Ertel Statistical Services Limited and copies may be obtained during usual business hours up to and including 17th July, 1986 from the Company Announcements Office of The Stock Exchange and up to and including 29th July, 1986 from:

- Credit Suisse First Boston Limited, 22 Bishopsgate, London EC2N 4BQ
- Hoare Govett Ltd., Heron House, 319/325 High Holborn, London WC1V 7PB
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July, 1986

INTERNATIONAL COMPANIES AND FINANCE

Weak dollar hits Audi in first half

By our Financial Staff
AUDI, part of the West German Volkswagen group, has improved sales to DM 5bn (82.2bn) in the first half of 1986, against DM 4.9bn a year earlier. Higher domestic sales were offset by lower exports, the group said.
Mr Wolfgang Habel, managing board chairman, did not give group profit figures for the half year, but said he was "generally satisfied" with developments during the period.
Speaking at the annual meeting, Mr Habel said "Audi sales in West Germany have picked up significantly in the past months." He cited the 10 per cent rise in domestic deliveries to 82,000 cars in the six months, up from 74,900 cars a year earlier as proof.
But the positive trend at home was not mirrored in markets abroad, he said. Deliveries of new Audi cars in other European countries were 5.5 per cent lower, totalling 69,000 units in the six months, compared with 73,000.
Exports to the US declined as the dollar weakened. Mr Habel forecast 1986 sales of "more than DM 10bn" which would be up from the DM 9.5bn of 1985. But he said profit on the year would not surpass the 1985 total of DM 221m.

Dainippon in talks with BASF to buy ink maker

BY DAVID BROWN IN FRANKFURT AND YOKO SHIBATA IN TOKYO
DAINIPPON INK, the Japanese group which recently made a bid for Sun Chemical, the biggest US printing ink producer, may acquire Hartmann, a West German based printing ink company.
It is negotiating with BASF, the big German chemical group, which acquired Hartmann last year following the \$1bn takeover of Imumot, a subsidiary of United Technologies of the US.
A formal contract is expected to be signed possibly later this month. The purchase of Hartmann would boost Dainippon's annual printing ink sales to about 178bn (\$46m), making it the world's biggest ink maker, the company said.
Hartmann has several operations in Europe, notably in Germany, Britain, the Netherlands, Sweden, France and Belgium. Its annual sales total about DM 200m.
BASF's acquisition of the Imumot printing ink and paints group gave it a leading position in supplying paints to the US car industry, and set the stage for a strategically important assault on the Japanese market.
Under the terms of a West German Cartel Office ruling, BASF was obliged to dispose

of a portion of its Hartmann holding within a specified time frame, as it already had a leading position on the domestic printing inks markets.
Under the terms of the letter of intent, BASF is to keep the Hartmann name and trademark in France, Belgium and Ireland.
BASF increased pre-tax profits by a fifth last year to DM 3,040m on sales of DM 47.7bn. But this year opened slowly for the group with first quarter profits dipping by 12 per cent as a result of the weak dollar and lower oil prices.

Dallas bank agrees sale of four loss-making units

BY MARY FRINGS IN DALLAS

BANCTEXAS GROUP, the beleaguered Dallas-based bank holding company, which last month signed a letter of intent to sell its six north Texas banks to Mr Gerald J. Ford's investment group, has reached a further agreement with United Bankers for the sale of its four loss-making Houston banks.
United Bankers is an independent bank group based in Waco, Texas, with nine banks and \$767m in assets.
Like Mr Ford's proposal, United's offer is contingent on substantial financial assistance from the Federal Deposit Insurance Corporation, which would then have first claim on the proceeds of the zero-coupon

debentures which United would issue to purchase the Houston banks.
The debentures, which are convertible into United common stock, and redeemable after seven years, would have a 15-year maturity and pay 5 per cent interest. Their value would be determined by the four banks' book value at the closing date.
In addition, United would make a second note issue to bring the aggregate capital of the four banks up to the regulatory minimum of \$18m.
The deadline for obtaining the approval of state and federal regulators, the Ford group and Banctexas' creditors has been set for July 21.

Philips sets up Swiss compact disc venture

PHILIPS WILL form a joint venture with Willi Studer, of Switzerland, to research professional studio systems based on compact disc (CD) technology, reports AP-DL from Eindhoven.
The big Dutch electronics maker said it would hold 50 per cent of a new joint venture with Studer, an electronic concern. The venture would be based in Zug, Switzerland, and would be known as Studer & Philips CD Systems.
Philips said the joint venture would develop digital compact disc players and recording equipment for radio, television and sound recording studios.
The Studer joint venture is expected to have an annual turnover of Fr 60m-71.7m (\$26.5m) by about 1992.

The Bank of Nova Scotia
U.S. \$200,000,000 Floating Rate Debentures Due July 1994
For the six month period 14th July 1986 to 14th January 1987 the Debentures will bear an interest rate of 6 3/4% per annum with a Coupon Amount of US\$354.38 payable 14th January 1987.
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Hudson's Bay plans to tap pension surplus
By Robert Gibbons in Montreal
HUDSON'S Bay, Canada's largest department store group, wants to tap its \$85m (US\$25.5m) in surplus pension fund monies to help pay down its debt.
The company has applied to Ontario's Pension Commission to release the funds. Such rulings usually take about one month, says Robert Gibbons, Hudson's Bay's chief financial officer. He says the company has already made similar applications following restructuring of their businesses and a sharp reduction in manpower.

N. AMERICAN QUARTERLIES

Company	1986	1985	1986	1985	
BANKETT BANKS Banking	Revenue 1986 \$ 1985 \$	27.2	30.2	22.2	17.6
Net profit	1.12	0.38	1.23	0.36	
Div. 6 months	0.10	0.10	0.10	0.10	
Net profit	74.5m	60.1m	63.5m	33.5m	
Net per share	2.21	1.31	2.39	1.30	
CONSUMERS Consumer products, retailing	Revenue 1986 \$ 1985 \$	28.1	28.1	28.1	28.1
Net profit	0.95	0.94	0.95	0.94	
Div. 6 months	0.11	0.11	0.11	0.11	
Net profit	27.7m	24.7m	24.6m	22.2m	
Net per share	1.41	1.28	1.11	0.40	
CONSOLIDATED PAPERS Paper products	Revenue 1986 \$ 1985 \$	105.2m	107.2m	105.2m	107.2m
Net profit	1.54	1.28	1.54	1.28	
Div. 6 months	0.20	0.20	0.20	0.20	
Net profit	48.2m	47.7m	48.2m	47.7m	
Net per share	2.22	2.07	2.22	2.07	
DUNLOP RUBBER Rubber	Revenue 1986 \$ 1985 \$	22.0m	22.0m	22.0m	22.0m
Net profit	0.70	0.67	0.70	0.67	
Div. 6 months	0.03	0.03	0.03	0.03	
Net profit	61.5m	61.5m	61.5m	61.5m	
Net per share	1.10	1.02	1.10	1.02	
FEDERAL NATIONAL FEDERAL NATIONAL MORTGAGE ASSOCIATION Largest US mortgage lender	Revenue 1986 \$ 1985 \$	47.2m	47.2m	47.2m	47.2m
Net profit	0.63	0.76	0.63	0.76	
Div. 6 months	0.11	0.11	0.11	0.11	
Net profit	61.5m	61.5m	61.5m	61.5m	
Net per share	1.07	1.42	1.07	1.42	
FINST BANK SYSTEM Banking	Revenue 1986 \$ 1985 \$	6.0m	6.0m	6.0m	6.0m
Net profit	0.80	0.80	0.80	0.80	
Div. 6 months	0.03	0.03	0.03	0.03	
Net profit	60.0m	60.0m	60.0m	60.0m	
Net per share	1.67	1.42	1.67	1.42	
LOTUS DEVELOPMENT Computer software	Revenue 1986 \$ 1985 \$	62.2m	62.2m	62.2m	62.2m
Net profit	11.5m	10.7m	11.5m	10.7m	
Div. 6 months	0.75	0.68	0.75	0.68	
Net profit	122.5m	104m	122.5m	104m	
Net per share	2.25	2.00	2.25	2.00	
PEOPLES JEWELLER Retail jewellery	Revenue 1986 \$ 1985 \$	142.5m	129m	142.5m	129m
Net profit	71.0m	62m	71.0m	62m	
Div. 6 months	0.52	0.52	0.52	0.52	
Net profit	101.5m	87.2m	101.5m	87.2m	
Net per share	2.70	2.40	2.70	2.40	
WIREPOOL Household appliances	Revenue 1986 \$ 1985 \$	1.05m	1.05m	1.05m	1.05m
Net profit	0.24m	0.24m	0.24m	0.24m	
Div. 6 months	0.03m	0.03m	0.03m	0.03m	
Net profit	1.05m	1.05m	1.05m	1.05m	
Net per share	1.05m	1.05m	1.05m	1.05m	

U.S. \$75,000,000 IC Industries Finance Corporation
Guaranteed Floating Rate Notes Due 1991
In accordance with the provisions of the Notes, notice is hereby given that for the interest period from July 15, 1986 to January 15, 1987 the Notes will carry an interest rate of 7 1/4% per annum. The interest payable on the relevant interest payment date, January 15, 1987 against Coupon No. 15 will be US\$36.10.
By: The Chase Manhattan Bank, National Association, New York
Fiscal Agent

U.S. \$30,000,000 ZENTRALSPARKASSE UND KOMMERZIALBANK WIEN
Floating Rate Subordinated Notes Due 1991
Interest Rate 6 1/4% per annum
Interest Period 15th July 1986 to 15th January 1987
Interest Amount per U.S. \$5,000 Note due 15th January 1987 U.S. \$177.29
Credit Suisse First Boston Limited Agent Bank

U.S. \$200,000,000 Fuji International Finance (HK) Limited
Guaranteed Floating Rate Notes Due 1996
Guaranteed as to payment of principal and interest by The Fuji Bank, Limited
Notice is hereby given that the Rate of Interest has been fixed at 6 1/4% p.a. and that the interest payable on the relevant interest payment date, January 15, 1987, in respect of U.S.\$10,000 nominal of the Notes will be U.S.\$345.00.
July 15, 1986, London By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

C.V.G. Siderurgica del Orinoco C.A. (Sidor)
U.S. \$50,000,000 Floating Rate Notes Due 1984-1988
In accordance with the terms and conditions of the Notes, and the provisions of the Agent Bank Agreement between C.V.G. Siderurgica del Orinoco C.A. (Sidor) and Citibank, N.A., dated July 7, 1980, notice is hereby given that the Rate of Interest has been fixed at 7 1/4% p.a. and that the interest payable on the relevant interest payment date, January 15, 1987, against Coupon No. 13 in respect of U.S.\$4,000 nominal amount of the Notes will be U.S.\$144.39.
July 15, 1986, London By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

U.S. \$75,000,000 The Bank of New York Overseas Finance N.V.
Guaranteed Floating Rate Subordinated Notes due January 1996
Unconditionally Guaranteed, on a Subordinated Basis, as to Payment of Principal and Interest by The Bank of New York Company, Inc.
Notice is hereby given that the Rate of Interest has been fixed at 6 1/4% p.a. and that the interest payable on the relevant interest payment date, October 15, 1986, against Coupon No. 11 in respect of U.S.\$10,000 nominal of the Notes will be U.S.\$172.50.
July 15, 1986, London By: Citibank, N.A. (CSSI Dept.), Reference Agent CITIBANK

U.S. \$200,000,000 Citicorp Overseas Finance Corporation N.V.
Unconditionally guaranteed by Citicorp
Notice is hereby given that the Rate of Interest has been fixed at 6 1/4% p.a. and that the interest payable on the relevant interest payment date, October 15, 1986 against Coupon No. 26 in respect of US\$10,000 nominal of the Notes will be US\$172.50.
July 15, 1986 London By: Citibank, N.A. (CSSI Dept.), Agent Bank CITIBANK

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INTL. COMPANIES and FINANCE

BHP's earnings top A\$1bn mark

BY MARK WESTFIELD IN SYDNEY

BROKEN HILL PROPRIETARY (BHP), Australia's largest company, has become the country's first to achieve annual net profits of more than A\$1bn (US\$638m), although it took extraordinary gains of A\$24.7m to judge earnings past this threshold.

Expectations generated during the exhaustive takeover bid for BHP by Mr Robert Holmes & Court, the Perth entrepreneur, were for an earnings figure comfortably exceeding A\$1bn.

However, a sharp downturn in the steel quarter result, in particular from its petroleum division, produced net profits for the year to May of A\$983.2m, after minority interests but excluding the extraordinary income. This still represented a substantial 31.3

per cent increase on last year's performance of A\$752.6m. BHP's net profit before deducting minority interests and excluding the extraordinary gain was A\$1,008m, on a 19.7 per cent rise in sales to A\$8.5bn.

Earnings were hindered by a 26.3 per cent tax increase to A\$847.42m, a 21 per cent rise in depreciation to A\$881.13m, and a 14 per cent rise in interest costs to A\$318.27m.

But the main reason for the shortcoming was a final quarter result for the year which fell 8 per cent below the figure being consistently predicted during the heat of Mr Holmes & Court's partial bid four months ago.

The company made A\$180.4m in the quarter, compared with the A\$196.3m expected.

BHP Petroleum, the oil and

gas division, earned a profit in the quarter of A\$97m—A\$5m less than predicted and 61 per cent lower than the previous comparative figure.

Mr Brian Loton, managing director, was relaxed and affable after the trauma of the bid by Mr Holmes & Court's Bell Resources and a searching inquiry by the National Companies and Securities Commission into BHP's A\$1bn purchase of a strategic cross-holding in Elders IXL through redeemable preference shares.

He said the poor fourth quarter result was due almost exclusively to a higher than expected value for the Australian dollar between March and the end of May.

"The period was not representative," Mr Loton said, hinting that the value of the dollar during that period, of over 70

US cents, was too high for company which earns 50 per cent of its income in US dollars.

Mr Loton spoke of the possible addition of a fourth operating arm to its three main businesses of petroleum, minerals and steel, although he declined to specify what this might be.

He did reveal that the company planned to list its shares on the New York Stock Exchange in order to broaden its shareholder base. He said a "small" share placement might be made, but that was the only share issue being contemplated.

He added that the increase in the company's borrowings from A\$2.6bn to A\$5.4bn was "quite acceptable" because the gearing ratio was still on the conservative side.

Nedbank acts to rescue Triomf Fertilizer

BY JIM JONES IN JOHANNESBURG

NEDBANK, South Africa's third largest banking group, has taken emergency action to save Triomf Fertilizer, the troubled company which provides about one-fifth of domestic fertilizer requirements.

Triomf as a whole owes Nedbank about R500m (R155.5m). About one-third of this amount, which is owed by Triomf's wholly-owned Richards Bay subsidiary, is to be written off and Nedbank is to convert a large part of the remainder

into permanent capital.

As a result the bank will hold 75.1 per cent of Triomf's voting shares, although Mr Gerry Miller, Nedbank's deputy chairman, was yesterday unable to give precise details of the financial restructuring proposals.

The Richards Bay subsidiary was placed in provisional liquidation yesterday and Triomf will in future operate only its Potchefstroom plant which sells a range of fertilizers

to South African farmers.

The plant at Richards Bay, which has the capacity to make an annual 400,000 tonnes of phosphate acid and di-ammonium phosphate (DAP) for export markets, had been operating well below full capacity for over a year in response to poor world demand for phosphate fertilizers.

It was returned to full capacity operation in March this year, but this served merely to enhance Triomf's cash flow as

company executives admitted that the plant remained unprofitable despite the considerable exchange rate advantages of a weak rand.

Last year Triomf suffered a loss of about R50m, although precise figures were not disclosed.

In May this year Nedbank refinanced itself with a R345m rights issue and said at the time that about R200m was needed to provide against unspecified doubtful debts.

Wells Fargo & Company
U.S. \$100,000,000

Floating Rate Subordinated Notes due 1997

In accordance with the provisions of the Notes, notice is hereby given that for the interest period:

15th July, 1986 to 15th October, 1986 the Notes will carry an Interest Rate of 6 1/4% per annum.

Interest payable on the relevant interest payment date 15th October, 1986 will amount to US\$177.29 per US\$10,000 Note and US\$886.46 per US\$50,000 Note.

Agent Bank: Morgan Guaranty Trust Company of New York, London

Forward gold sales boost Rand Mines group profits

BY KENNETH MARSTON, MINING EDITOR

GOLD MINE NET PROFITS

	June	Mar	Dec
Q1	Q2	Q3	Q4
Blyvoorobicht	18,402	14,471	18,228
Durban Deep	5,212	3,002	19,267
East Rand Pty	41,483	4,383	13,587
Harmony	61,283	47,876	58,549

* After receipt of State assistance.
† State assistance overruled. ‡ Loss.

Harmony raised output in the June quarter and net profits benefited from a reduced tax charge arising from an increase in tax-offsetting capital expenditure. KRM, however, suffered from a fall in gold production as a result of a lower grade of ore milled and despite state assistance, reports a net loss for the quarter.

Former OTB chief jailed for three years

By our Financial Staff

HONG KONG'S High Court yesterday sentenced Mr Patrick Chang, former managing director of Overseas Trust Bank (OTB), to three years in jail for conspiring to defraud the bank, which was subsequently rescued in a government bailout in June 1985.

Last Friday Mr Chang pleaded guilty to the charges.

Meanwhile OTB is itself taking part in the rescue of International Trust and Finance (ITF), a troubled Thailand finance house. It is to provide 150m baht (US\$5.73m) and will own 49 per cent of the reshaped ITF, in which it previously held 22 per cent.

This announcement appears as a matter of record only. July 1986

INVESTCORP

U.S. \$50,000,000

Revolving Multi-Purpose Facility

Lead Managers

Bank of Tokyo International Limited
Credit Suisse
Manufacturers Hanover Limited

Bankers Trust International Limited
Lloyds Merchant Bank Limited

Manager

Westdeutsche Landesbank Girozentrale

Participants

The Hongkong & Shanghai Banking Corporation Bahrain OBU

Amsterdam-Rotterdam Bank N.V.
Staal Bankiers N.V.
Banque Indosuez OBU

Girozentrale und Bank der osterreichischen Sparkassen
Banco Portugues do Atlantico
Nederlandsche Middenstandsbank N.V.

Tender Panel Members

Amsterdam-Rotterdam Bank N.V.
Bank of Tokyo International Limited
Banque Indosuez OBU
Deutsche Bank Capital Markets Limited
Lloyds Merchant Bank Limited
Nederlandsche Middenstandsbank N.V.
Shearson Lehman Brothers International
Swiss Bank Corporation International Limited

Banco Portugues do Atlantico
Bankers Trust International Limited
Credit Suisse
Girozentrale und Bank der osterreichischen Sparkassen
Manufacturers Hanover Limited
J. Henry Schroder Wagg & Co. Limited
Staal Bankiers N.V.
S.G. Warburg & Co. Ltd.

Westdeutsche Landesbank Girozentrale

Bankers Trust International Limited
Facility and Tender Panel Agent

Ingersoll-Rand Company

US\$ 200,000,000 Euro-Commercial Paper Programme

Arranged by:
CIBC Limited
Solomon Brothers International Limited

ECU 100,000,000
8 1/4 per cent Depository Receipts due 1993

Issued by the Law Debenture Trust Corporation p.l.c. offering evidence of payment of principal and interest on deposits with

BANCO DI ROMA
London Branch

CIBC Limited Banco di Roma International S.A.

AS 225,000,000
Zero Coupon Bonds due 21st May, 2000

Eni International Bank Limited

Eni Commercial Bank
Banco del Gottardo

AS 160,000,000
Zero Coupon Bonds due 22nd May, 1996

Union Bank of Norway

CIBC Limited
ANZ Merchant Bank Limited Union Bank of Norway

AS 150,000,000
Zero Coupon Notes due April 22, 1996
Issue Price 30.575 per cent.

Unconditionally Guaranteed by
CANADIAN IMPERIAL BANK OF COMMERCE
CIBC Limited
ANZ Merchant Bank Limited

N.Z. \$ 40,000,000
19 per cent. Depository Receipts due 1989

SNPAOLO

Issued by The Law Debenture Trust Corporation p.l.c. offering evidence of payment of principal and interest on deposits with

ISTITUTO BANCARIO SAN PAOLO DI TORINO
London Branch
CIBC Limited

Banque Bruxelles Lambert S.A. Dalmeida Europe Limited

ROYAL TRUST
Royal Trustco Limited
(Incorporated in Canada with limited liability)

Can \$75,000,000
10 1/4% Debentures due 3rd December, 1990

CIBC Limited J. Henry Schroder Wagg & Co. Limited

AS 30,000,000
13 1/4% Capital Bonds due 1991

KOP
KANSALLIS-OSAKE-PANKKI

CIBC Limited Kansallis Banking Group

Australian Industry Development Corporation
(A statutory corporation, wholly owned and guaranteed by the Commonwealth of Australia)

Can \$100,000,000
10 per cent. Notes due 1991

Payment of principal and interest guaranteed by the Commonwealth of Australia
Issue Price 100%

The following have agreed to subscribe or procure subscribers for the Notes

Algemeen Bank Nederland N.V. CIBC Limited Bank of Tokyo International Limited

Reasons why you should be talking to us.



CANADIAN IMPERIAL BANK OF COMMERCE

UK COMPANY NEWS

Cash lessons of a £173m buyout

By Tony Jackson

LARRY TAPP, the head of the biggest management buyout ever seen outside the US, reckons he could set up in business as a consultant. "There are so many people thinking about leveraged buyouts of their own who want my advice," he says.

Nine months ago, Mr Tapp and a team of 110 managers completed the £173m buyout of Lawson Mardon, one of Europe's leading packaging companies, from the multinational BAT Industries. Management buyouts were still something of a novelty in the UK, despite such pioneering examples as the £54m National Freight buyout three years before. The pace has since quickened, with both industrial managers and financial institutions busily informing themselves on how the process works.

BAT's action of the company attracted bids from big rivals in the packaging field, including Metal Box and Jefferson Smurfit. Mardon's existing management beat the competition, and is now grappling with the consequences.

Mr Tapp and his colleagues are in no doubt about the main priority. "Cash flow," he says. "In a leveraged buyout, if you can't generate cash, it can't happen."

The cash raised came to a formidable £365m (£340m), almost wholly from Canadian sources. Given that Mardon was a UK-based subsidiary of the UK-based BAT, the fact that the chairman, chief executive and major shareholders of the new group are all Canadian seems to say something about acceptance of buyouts on this side of the Atlantic.

Mr Tapp was previously head of Mardon's Canadian subsidiary Lawson and Jones, which accounted for only 27 per cent of Mardon's worldwide sales of just over £600m.

"At the end of 1983," he says, "we began to get inquiries on management training conferences, for instance—that BAT was going to divest. In June and July of 1984, we ran some numbers through on the feasibility of a strictly Lawson & Jones buyout."

In January last year, that plan collapsed. Mr John Worledge, BAT's main board director in charge of Mardon, rang Mr Tapp to tell him the business was to be sold as a single entity.

"We were disappointed," Mr Tapp says, "but we still came over to London to talk about it with Lazard, the merchant bank handling the sale. Before doing that, I had contacted some people in Canada to ask for support."

Mr Tapp's first contact was Charles Parmalee, a Canadian friend whom he had met 25 years before—at a Toronto University night class on mergers and acquisitions. Mr Parmalee was a director of Lawson & Jones, and also on the board of Roman Corporation, a Canadian mining company run by a prominent Canadian entrepreneur, Mr Stephen Roman.

Mr Tapp had decided to go for the whole of Mardon. "With one jump," Mr Parmalee says, "he was tripling the scale of what he was trying to do. He called me in Athens to see if Roman would back him."

Roman, which eventually took a 49 per cent stake in the business, is a public company. When Mr Tapp came to grips with BAT, this led to a problem. "We couldn't let people know Roman was involved," Mr Tapp says. "BAT wanted to know who our equity partners were. I said OK, provided I got a letter from Pat Sheehy (BAT's chairman), saying it was confidential. I never got the letter, so we never told them."

There was also the matter of convincing BAT that the consortium could come up with the cash. Mr Tapp had engaged the services of Merrill Lynch, the US broking house, and Citibank, acknowledged as one of the North American experts in leveraged buyouts. "I brought the president of Citibank Canada in to BAT to tell them the cash was there," Mr Tapp says. "That gave us credibility."

In the UK as in Canada, a leveraged buyout on this scale was a novelty. Mr Tapp brought 45 of Mardon's UK managers into the buyout, to add to the 65 he had marshalled in North America. UK investors, though, were a different matter.

"We talked to potential



Mr Larry Tapp of Lawson Mardon: "So many people want my advice."

investors in the UK," Mr Tapp says, "but they didn't really know what it was about. Leveraged buyouts were something they'd heard of only in a US context."

Once the deal was through, there was an immediate concentration on the debt mountain, and ways of reducing and rescheduling it. Of the £365m handed over at the end of last August, \$200m has already been paid off or converted into equity and fixed rate debt.

Mr Howard Webber, head of the UK end of the company, says: "Initially, all our borrowing was variable rate. Any management buyout is vulnerable to a rise in interest rates, and refinancing on both sides of the Atlantic was a priority."

Next came the question of generating cash flow to drive

the debt down. This meant, Mr Webber says, working within tighter financial constraints—and BAT wasn't loose by any standards.

Mr Tapp is quite clear on where the extra tightness comes from. "When you've got 110 people who've borrowed and mortgaged everything to buy stock, it focuses their attention. My secretary knows about cash flow these days, and we spend a lot of time understanding the components of working capital and which levers to pull."

As another way of reducing debt, several bits of the business have already been sold off—ones, suitably enough, to yet another management buyout. Mr Webber says: "You have to get rid of the peripheral bits. When your capital resource is scarce, you do not want to spread it too thinly. You have to concentrate it in businesses which will generate good profits growth."

Scope for squeezing cash out of the business was limited by the previous efficiency of the BAT regime. "There was not a layer of overheads we could take out," Mr Webber says. "Any services we had from BAT we paid for, and if we did not like them we turned them down."

In any case, cash generation is not the only objective, merely the most pressing at this early stage. Beyond that lies a separate objective—bringing Lawson Mardon to the stock market. As Mr Webber says: "To go public it's not enough just to screw down on cash—you need a track record on profits, and you have to build a case for that record continuing. That means not just a good portfolio of businesses, but good new products in the pipeline."

Mr Tapp and Mr Parmalee concede that the question of flotation is a delicate one. "My objective is to have the balance sheet in shape by 1988," Mr Tapp says, "but going public depends totally on the market. We may be ready in 1988, and the market not."

Mr Parmalee says: "It's a question of when it becomes sensible to widen the equity base. For Roman Corporation, there isn't any urgency to sell. I don't think any of the major investors went into this for a quick flip—there would have been easier things to do."

All that, in any case, is two years away. Present preoccupations are more short-term. If Larry Tapp were a buyout consultant, he is in no doubt about the advice he would give to clients. "The one thing I'd tell them is—they've got to generate cash."

This announcement appears as a matter of record only.

\$900,000,000

The Coastal Corporation

\$500,000,000

11¼% Senior Notes due June 15, 1996

(Interest payable June 15 and December 15)

\$400,000,000

11¼% Senior Debentures due June 15, 2006

(Interest payable June 15 and December 15)

Drexel Burnham Lambert
INCORPORATED

June, 1986

Businesses for Sale

Ford Main Dealership
Suffolk

The goodwill and business assets are offered for sale as a going concern.

- Freshhold showrooms, workshops and bodyshop
- Annual turnover £2.2 million
- 34 Employees
- Dealership subject to Ford approval

For further information contact the Joint Receivers:

Andrew Conquest, Grant Thornton
Crown House, Crown Street, Ipswich
Tel: 0473 221481 - Telex: 828340
or Marjorie Wiltall, Grant Thornton
Fairfax House, Fulwood Place, London WC1V 6DW
Tel: 01-406 8422 - Telex: 28884

Grant Thornton
CHARTERED ACCOUNTANTS



GOLD FIELDS COAL LIMITED

(Formerly The Clydesdale (Transvaal) Collieries Limited)
(Incorporated in the Republic of South Africa)
A MEMBER OF THE GOLD FIELDS GROUP

(Registration No. 01/01124/06)

ISSUED CAPITAL: 16 842 721 shares of 50 cents each

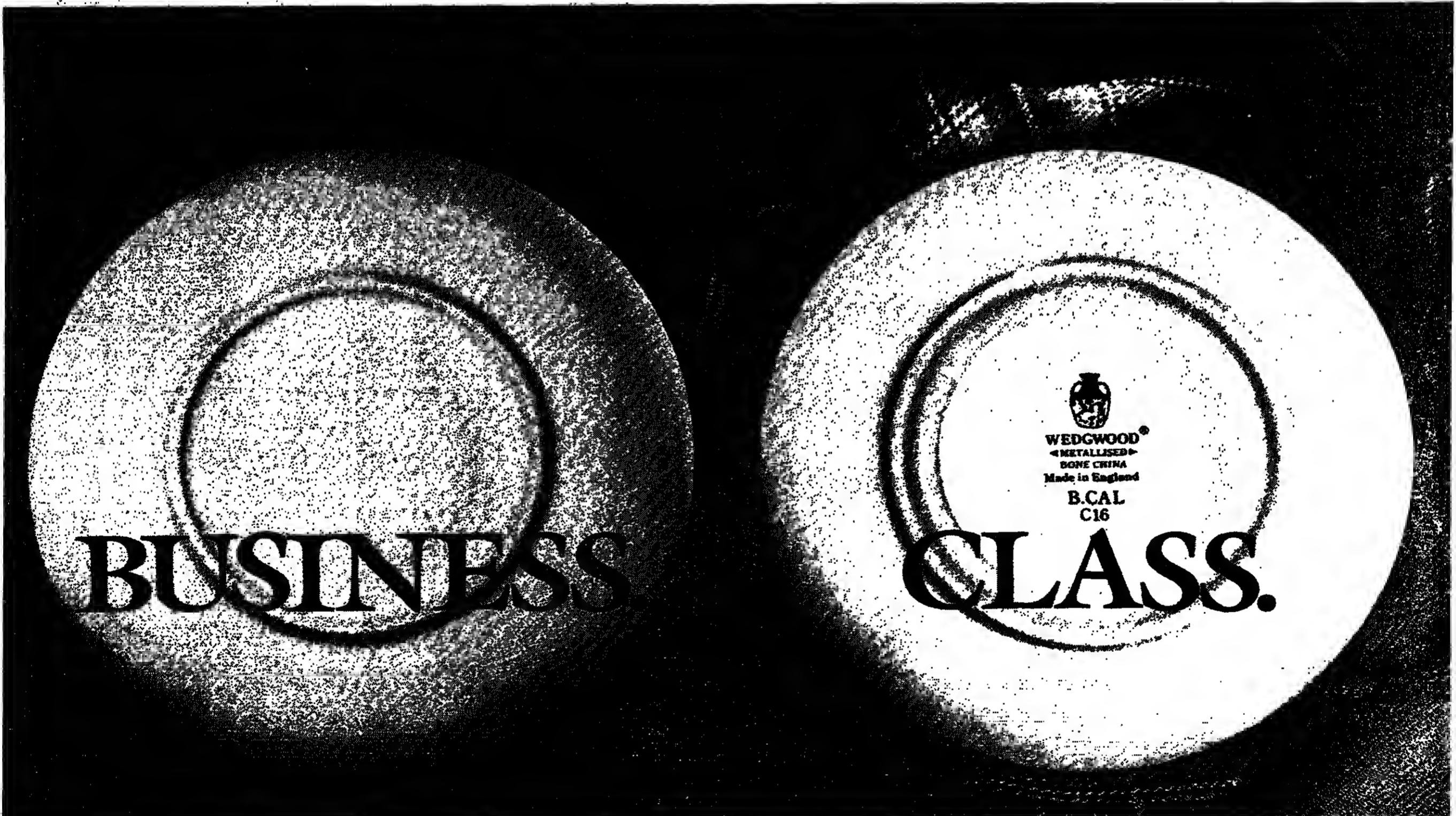
	Quarter ended 30 June 1986	Quarter ended 31 March 1986	Five months ended 30 June 1986
OPERATING RESULTS (Tons 000)			
Total mined	2 285	2 781	5 166
Tons sold	2 179	2 290	4 469
FINANCIAL RESULTS (R000)			
Sales and other revenues	51 743	52 690	104 433
Cost of sales	37 915	39 004	76 919
Profit before tax	13 828	13 686	27 514
Tax	7 274	6 662	13 936
PROFIT AFTER TAX	6 554	7 024	13 578
Capital expenditure	1 284	2 627	3 911
Dividend	8 431	—	8 431

NOTES:

1. Capital Expenditure: The unexpended balance of authorised capital expenditure at 30 June 1986 was R13.2 million.
2. Dividends: A dividend (No. 146) of 50 cents per share declared on 12 June 1986 is payable to members on or about 6 August 1986.

On behalf of the board
P. R. JANISCH : Directors
A. M. D. GNODDE

14 July 1986



Ladies and Gentlemen. Welcome aboard this British Caledonian flight to London Gatwick from Amsterdam. (Or from Brussels, Frankfurt, Geneva, Genoa and Paris.)

You will note, that instead of ordinary china, we shall be serving you a meal on Wedgwood fine bone china.

You will also note other differences in your Executive Class flight with us. Being an independent airline, as opposed to government owned, means that we can never afford to relax. You will therefore appreciate that we will do our utmost to make your flight

more enjoyable. You may, at first, be surprised how our cabin staff seem to anticipate your every demand. And take great pleasure in doing so.

But we are confident that you will enjoy the sensation of being treated as an important individual rather than a seat-number.

Finally, on landing, we would like to remind Executive Class passengers to remove all their personal articles. But please leave our Wedgwood behind. **British Caledonian Airways** We never forget you have a choice.

UK COMPANY NEWS

Coloroll wins battle for Potteries

BY DAVID GOODHART

Coloroll, the acquisitive home furnishings group, has finally won control of Staffordshire Potteries, the ceramics company it first bid for last March.

Coloroll won agreement from the Staffordshire board after a marked improvement to its "final" offer of 150p and also yesterday announced a one-for-four rights issue to raise £12.9m.

The offer of four new Coloroll shares for every five Staffordshire shares each Staffordshire share at about 150p and the whole company at £15.1m. However, after the last bid attempt, Coloroll was left with about 48.5 per cent of the

Staffordshire share capital for which it paid an average of 145p a share—the total cost of winning control was therefore £13.8m.

Nevertheless, Staffordshire has certainly squeezed a significant increase out of Coloroll. The final offer in April valued each share at about 135p and the cash alternative was 135p. Yesterday's cash alternative was 154p.

The earlier stages of the bid were surrounded in acrimony. Coloroll appeared to have won agreement from Staffordshire to its first bid in March only for that deal to fall apart when some of the Staffordshire board

complained of the domineering attitude of Coloroll's senior managers.

Although Coloroll—a fast-growing and popular company—had been expected to win control after the offer was increased in April the Staffordshire board just managed to hold them off.

Subsequently Coloroll made clear it was not going to give up easily and as well as continuing to buy Staffordshire shares acquired one of its main rivals in the ceramics field, Biltons, for £5.1m.

Mr John Ashcroft, the Coloroll chairman, said yesterday: "I think Staffordshire finally realised we were serious

about ceramics after the Biltons acquisition." He added that—despite the bad feeling in the early part of the battle—he was looking forward to working with all the Staffordshire staff.

Coloroll has already received irrevocable undertakings from enough Staffordshire shareholders to take its holding to over 50 per cent.

The Coloroll share capital is being expanded by over one-third taking into account the 7.5m shares from the rights issue and the 4m that may be issued for the latest take-over. The price was 170p. Coloroll share price yesterday slipped 2p to 203p. Staffordshire rose 10p to 153p.

Greene King at a record £11.27m

DESPITE POOR weather earlier this year, Greene King & Sons, the Suffolk-based brewer, saw sales volumes of most of its draught beers improve during the 53 weeks ended May 4, 1986.

As a result, profits for the period rose to a record £11.27m pre-tax, an improvement of £1.62m over the 1984-1985 figures which covered 52 weeks.

Sales volume increases for both IPA bitter and Abbot Ale, the group's best selling brands, were particularly marked and the Harp and Kronenbourg lager ranges continued to sell well.

The directors said that this confirmed the confidence they have in the 25 per cent

United Leasing rights as profits decline to £4.4m

BY RICHARD TOMKINS

United Leasing, the computer leasing company which two weeks ago warned of a shortfall in profits for the year to last March, yesterday reported £4.4m pre-tax against £5.3m the year before and announced an £8.2m rights issue to finance expansion.

The out-turn compared with profits of £7m to £7.5m which the City had predicted at the interim stage.

Group turnover rose from £176.3m to £242.4m, but United's chairman, Mr Perry Mitchell, said profits had been hit by a lower-than-expected contribution from Unilease Computer Corporation, United's US offshoot.

Deliveries in the last three months of the financial year—normally United's best trading period—were hit by delays caused by new product and pricing announcements from IBM in February.

However, the delayed deliveries had now been completed and had contributed to a percentage increase in sales in the current year, Mr Mitchell said.

Losses of £1.4m were incurred by United Business Systems, the UK microcomputer distribution company, but these were predicted at the interim stage

and Mr Mitchell said the subsidiary had begun to break even in the last quarter.

The rights issue is of £8.67m nominal of 9 per cent convertible subordinated unsecured loan stock 1998-2001 at par in the proportion of 28 nominal for every 10 ordinary shares held.

The issue will raise £8.2m net, of which about £4m will be ploughed into financing the expansion of Unilease Computer. The rest will be used for the development of the UK and European activities.

Mr Mitchell said Unilease had made particularly heavy cash demands on the group and the subsidiary's future. The possibilities included some form of joint venture, an independent flotation, or disposal of the group's controlling interest.

For the current year, Mr Mitchell said the fundamental business and structure of United Leasing were sound and that the group was in a much more favourable position now than it was at the same time last year.

The rights issue is underwritten by Barclays de Zoete Wedd and Henry Ansbacher,

with Phillips & Drew as brokers.

● **comment**

Neither United's rights issue nor the form it took came as any surprise. With gearing around the 90 per cent level there was a limit to how much more credit it could find to finance any further expansion at home or overseas, and the convertible offering represents an effective price of 182p a share against the 150p at best they could have hoped for through an ordinary rights issue. Quite who is going to take the stock up is another matter: United's share down 10p at 185p are being handled like grenades without pins by fund managers at present and it is hard to imagine them taking on more stock however attractive the terms. On United's fundamental trading, the doubling of residuals to £32m does not increase confidence but attention is centred on the group's plans to live off part of its US business. The most likely scenario appears to be a joint venture with a US bank, a move which could reduce cash enough to support United's thesis that the value put on the whole severely undervalues its parts.

Approaches to some United Real members

By Charles Batchelor

United Real Property Trust, the property investment and development company, said some of its shareholders had approached it to sell their shares which might lead to an offer being made for the entire company.

United's shares rose 15p yesterday to 940p to value the group at £100.8m.

It made a virtually unchanged pre-tax profit of £2.57m in the six months ended October 1985.

United owns offices in London, Birmingham and Sydney, Australia.

The company's main shareholders are Samadar Holdings SA (51 per cent), representing the holding of the former chairman Mr Maurice Wohl; L. A. Wheeler, I. R. A. McCallum and P. G. Brown jointly as trustees (13 per cent); and the Co-operative Insurance Society with 10 per cent.

Laura Ashley ADR facility

BY CHARLES BATCHELOR

Laura Ashley, the fashion and design group, has established an American Depository Receipt (ADR) facility to make it easier for private US investors to deal in its shares.

The company, which obtained a full London stock market listing last November, is believed to be the first British group to list its shares in ADR form since the British government proposed a tax-incentive 5 per cent but later reduced to 1½ per cent on ADRs.

Laura Ashley already has

about 1,000 US shareholders, mainly institutions but wants to win more private US shareholders. Mr Peter Phillips, finance director, said: "The company makes 42 per cent of its US sales and has more than 80 outlets in the US."

The ADRs will be traded on the over-the-counter (NASDAQ) market. Each ADR will represent five shares. The depository agent is Irving Trust Company of New York.

About 600 non-US companies have their shares listed in ADR form. ADRs are priced in

dollars and give US investors a convenient means of owning shares in overseas companies. They allow non-US companies to comply with regulations requiring foreign companies which want their share traded on a US Stock Exchange to have a place of transfer in the US. This is provided by the bank issuing the ADRs.

Leading overseas companies with their shares listed in ADR form include Philips Lampo, Glaxo Nissan and Reuters Holdings.



shareholding in the Harp Lager Company.

They pointed out that the volume of beer sold by the group was slightly higher on a 52-week basis than in the previous year, compared with a fall in beer sales nationally.

Turnover for the 53 weeks pushed ahead to £90.16m (£89.23m). Tax accounted for £9.91m (£9.72m) and left net profits at £7.26m, compared with a previous £5.93m.

Earnings worked through at 17.7p (14.5p) and a final dividend of 3.89p (3.53p) raises the total from 4.57p to 8.5p net per 25p share.

Available earnings emerged at £7.96m (£6.25m) after taking in minorities this time of £1,000 and extraordinary credits of £53,000 against £2.42m last time.

At year-end the group's balance sheet was described as strong. The directors were planning capital expenditure of £10m in the current year.

The Battersby Hotels joint venture is currently building premises at Bury St Edmunds and King's Lynn.

Ellis & Everard rises 6% after exports boost

WITH THE UK merchanting showing modest improvement and is looking to gain market share in a mature market, the US operations have been maintained. ICI, fully-owned as of May 1, has successfully completed its earn out but at Prillman there could be costs involved in any reshaping of the business into the E and E fold. Both units were effected by an increase in insurance premiums, post Bhopal, up to \$800,000 from \$250,000 in 1984-1985, and running up to over \$1m this year. For 1984-85 the City is expected to £5.5m—which suggests another largely pedestrian performance as £1.5m should come from Cargo Fleet Chemicals, acquired in April for \$10m. With the tax rate falling to 35 per cent this year, earnings should show another 30 per cent plus leap and the prospective p/e is under 12. E and E continues to live comfortably in the shadow of ICI (the supplier, customer and shareholder) and the lack of excitement over the shares, 20p unchanged, perhaps reflects this.

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Textured Jersey hits £1.1m

Textured Jersey continued to progress during the second half of the 1985-86 year and for the 12 months raised its profits from £555,000 to £1.1m pre-tax. The dividend is being stepped up by 1p to 6p net, the final being 7.5p.

Demand for knitted fabrics, particularly those incorporating cotton, continued to grow and the company responded by building a major extension to its riverside dyehouse in Leicester.

Additional plant and equipment will also be installed in the coming months.

The directors pointed out, however, that Textured Jersey was unlikely to benefit from any increase in production or sales until the final quarter of the current year.

The past year (to April 30 1986) saw turnover improve from £15.72m to £17.48m and gross profits by £533,000 to £1.1m.

Tax accounted for £433,000 (£315,000) and left earnings per 10p share at 17.5p, against a previous 13.49p.

Questel

First-half pre-tax profits up from £235,000 to £459,000 are reported by Questel, the USM designer and maker of telecommunication systems. For the half year to end April, turnover rose to £17.3m (£15m). Earnings were 8.4p (4.5p) and there is an interim dividend of 2.2p net. Last year there was a single payment of 2.2p.

Myson strikes deal and lifts terms for Biddle

BY LIONEL BARBER

Myson, the UK heating and ventilation engineer, has raised its offer for Biddle Holdings, the lifts and heating group, to £7.4m with the support of a French company.

Myson has agreed to offer Monteny SA of France an option to buy Biddle's lift subsidiary, Bennie. The agreement depends on Myson's offer going unconditional.

The Biddle battle between Kone and Myson has flared for the past six weeks. Earlier this month Kone matched Myson's £8.5m offer.

Now, Monteny, a large maintenance group and subsidiary of Compagnie des Eaux, is in effect waging a battle with Kone over Biddle's lift business.

Myson only wants the heating and air conditioning business. Yet Kone has agreed to sell it to Mr Anthony Biddle, a Biddle

TV-am share sale made £7m for Utd. News.

United Newspapers said yesterday that the sale of its holding of 11m shares in TV-am in last week's flotation had produced an increase in net assets of about £7.2m, after providing for an estimated £3m tax liability.

The shares were sold at 190p a share, raising £13.5m after expenses but before capital gains tax. The shares were represented in United's balance sheet on December 31 at about £3.6m.

Rank deal approved

The Government has decided, in accordance with the advice of the Office of Fair Trading, not to refer to the Monopolies Commission the agreed acquisition by Rank Organisation of Ladbroke Group's 36 bingo halls and 42 high street amusement centres.



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£150,000,000

Sterling Commercial Paper Programme

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Goldman Sachs International Corp.

Samuel Montagu & Co. Limited

July 1986

Stripping free an extra week, Greene King's profits rose by 14½ per cent last year. That may seem a reasonable enough rate of progression with the latest inflation figures at well over 3 per cent still ringing in the ears but it is not the sort of performance that can arrest the relative decline of the shares in any meaningful way. Since the price touched over 250p in December 1983 the stock has underperformed the market by over 60 per cent. Not that Greene King is doing anything particularly wrong, it is simply that what it is doing does not fire investor imagination. Volume is creeping up with the help of stronger agrar sales and there is a continuing refurbishment programme. Solid stuff, but shareholders may not be quite content with the company feeding several million pounds into Batterfly Hotels, where ownership is just 30 per cent, as the obvious area of diversification. A p/e of under 12 historic at 210p argues that even the bid hopes have gone flat.

● **comment**

Ellis & Everard has a one-fifth drop in its tax charge to thank for earnings growth of 25 per cent in an otherwise flat year. The drop was two-thirds due to the Chancellor's lowering of corporation rates and a third due to the exploitation of "double dip" tax arrangements on US loans. While UK chemi-

Prillman opened a new depot at Charlotte, North Carolina, which got off to a successful start.

Tax took £1.96m (£1.81m) and minorities £51,000 (£54,000).

On the last day of the financial year, Ellis & Everard acquired Cargo Fleet Chemicals (Holdings) and its profits would be consolidated from May 1 1986. The integration of Cargo was proceeding, and the resultant benefits would occur during the current year.

With effect from 3rd July 1986

Declan Kelly Holdings Limited

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A FINANCIAL TIMES SURVEY

PACIFIC RIM

—ARENA FOR ECONOMIC GROWTH—

Publication date: 20 October 1986

Copy date: 22 September 1986

The end of the Vietnam War in 1975 saw the coming of age of a new economic and political region, grouped around the rim of the Pacific Ocean. Many of the nations in the region, strategically located on trade routes vital to both East and West, have enjoyed unprecedented economic vitality. In the future, the Pacific Rim is likely to play an even more important role in the development of the global economy, signalling an important tilt in power and continuing spearhead economic reform and technical innovation.

The survey will be published one month before the prestigious PACRIM '86 symposium which is being held in Perth from 16-19 November 1986. The importance of this event is reflected by the status of the speakers and has already ensured a maximum audience of Chief Executives, Managing Directors and other professionals from the region itself, and also from around the world.

Promotional support for this survey includes a mailing of the survey to all speakers and delegates attending PACRIM '86 before they leave for Perth. Copies of the survey will also be distributed at the symposium.

For more information about advertising in this survey and a copy of the synopsis, contact:

Ben Mann
Financial Times, Bracken House,
10 Cannon Street, London EC4P 4EY
Tel: 01-248 8000 ext 3595 Telex: 885033 FINTIM G
Survey subject to change at the discretion of the Editor

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High	Low	Company	Price	Change	Gross	Yield	P/E	Fully
146	116	Aaa. Snt. Ind. CUB...	137ad	—	7.3	5.8	6.0	7.6
128	43	Airsprung Group	121	—	7.5	7.8	7.5	8.7
46	28	Armitage and Rhodes...	180ad	+2	4.3	12.5	4.2	5.1
190	108	Barton Hill	100ad	—	8.1	8.2	10.9	16.9
78	42	Bny Technologies	78	—	4.3	5.5	5.3	6.5
201	76	CC. Ordinary	200	—	2.9	3.9	5.3	6.3
182	88	CC. 11pc Conv. Pl.	88ad	—	—	—	—	—
210	80	Carborundum Ord.	210	+2	8.1	4.3	10.1	10.4
32	20	Carborundum 7.5pc Pl.	32	—	10.0	11.0	—	—
85	46	Deborah Services	80	+1	—	—	—	—
120	50	George Blair	120	+1	—	—	—	—
89	20	Ind. Precision Castings	87	—	3.0	4.5	17.7	14.8
218	166	Isis Group	166	—	15.0	5.1	12.7	15.0
120	101	Jackson Group	120ad	—	—	—	—	—
348	228	James Burrough	348ad	—	17.0	4.8	9.8	6.9
100	85	James Burrough Sp.	85	—	12.9	13.0	—	—
95	56	John Howard and Co	87ad	—	—	—	—	—
1420	570	Mintihouse Holding NV	1330	+30	8.7	0.7	44.0	62.1
380	280	Record Ridgway Ord.	380	—	14.1	15.6	5.8	11.7
82	32	Robert Jenkins	73	—	—	—	—	—
34	20	Scruttons "A"	34	+1	—	—	—	—
90	69	Torday and Carlisle	90	—	—	—	—	—
370	320	Trevlan Holdings	370	—	7.9	2.6	0.7	8.0
57	25	Volvo Holdings	57	-7.4	2.1	3.1	18.2	17.6
175	93	Walter Alexander	175	—	9.9	9.4	12.0	—
228	190	W. S. Yeates	190	—	17.4	6.2	19.0	21.1

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July 1986

UK COMPANY NEWS

Cookson invests £40m in US ceramics venture

BY LIONEL BARBER

Cookson, the industrial chemical group, is to invest US\$67.5m (£38m) in cash, buying a 50 per cent stake in a major US specialist ceramics manufacturer.

Cookson has entered a joint venture with Georgetown Industries, a private steel producer based in Charlotte, North Carolina, to buy Vesuvius Crucible, a privately owned company based in Pittsburgh.

Each of the prospective owners will provide an equal amount of capital to the joint company, but after June 1989 Cookson has an option to buy out Georgetown's interest.

The price will be the same as that paid by Georgetown, adjusted for any increase in Vesuvius's shareholders' funds at the date of the option being exercised.

Vesuvius specialises in making high performance ceramic refractories for use in the protection and flow control of

molten steel in the continuous casting process.

Some three-quarters of Vesuvius's sales are outside the US. The group employs 1,100 people at three plants in the US and five in Europe located in Scotland, Belgium, France, West Germany and Italy.

In 1985, Vesuvius made \$14.2m profits before tax. For the five months to May 1986, unaudited figures show pre-tax profits rising to \$6m. Shareholders' funds at the end of 1985 stood at \$67.2m and borrowings at \$1.2m.

Cookson, formally known as Lead Industries, made \$87.6m pre-tax profits on \$967.3m in 1985. In the past two years it has recovered strongly. The group uses such reconstituted raw materials as rutile, laminated and silicon, while end products range from lithographic plates to pewter tankards and pottery kilns.

Mr Ian Butler, Cookson chairman, described Vesuvius as a world leader in specialist refractory products which account for 70 per cent of its sales. Other interests include clay graphite crucible products, slide gate mechanisms and fused silica products.

Mr Butler said that steel manufacturers outside Japan and South Korea had still to convert to the more efficient continuous casting process. Vesuvius's expertise offered Cookson a chance to occupy a strong competitive position in a niche growth market, he said.

Last year, Cookson paid \$45m for Frank Horwell, a privately-owned lithographic plate maker soon after Horwell announced plans for a Stock Exchange listing. Last May, it paid \$14m for Leyland Metal, one of the UK's largest recyclers of aluminium.

Revitalised Ratners doubled at £4.3m

IN LINE with estimates made in April at the time of its \$2.9m rights issue, Ratners (Jewellers) yesterday reported doubled pre-tax profits of \$4.2m for the year ended April 6 1986. Turnover, as forecast, reached \$44.9m, against \$32.8m.

Mr Gerald Ratner, the chief executive said the results reflected the benefits of having revitalised the Ratners trading formula.

The extension of its product range to popular priced jewellery, accompanied by an aggressive sales approach, had enabled the group to increase sales per shop substantially.

Last May, Ratners announced an agreed \$100m merger with H Samuel, another High Street jeweller, and Mr Ratner said yesterday he looked forward with confidence to the success of the enlarged Ratners group.

In the current year, sales had moved ahead significantly and margins had been maintained throughout the group.

Terry's was trading above expectations and a steady increased contribution was expected as this part of the group expanded from its south-east base.

The H Samuel acquisition had increased the number of group outlets from 153 at April 6, 1985 to 250. A further 40 openings of Ratners and Terry's shops, funded from the rights issue proceeds, would take the total number of outlets to around 300, prior to the Christmas season.

Mr Ratner said that from this substantial base, the company aimed to increase its share of the total retail jewellery market.

As forecast, there is a final dividend of 0.75p net making a total for the year of 3p (2.5p). Stated earnings per 10p share advanced from 4.44p to 5.91p.

comment

The Ratners success is built round a shift towards fashion jewellery and away from the more expensive so-called investment jewellery. The aim is to sell to a public more interested in looking like Madonna than like Elizabeth Taylor. Gerald Ratner believes he can work the same transformation on H Samuel and take market share from competitors rather than from Ratners stores. This year, merely by optimising the loss-making first quarter, H Samuel should add \$3m for its nine months contribution. Extra shop openings should push the Ratners and Terry's contribution to \$7m, assuming only modest volume growth. The final figure depends on how much the financing costs of the \$30m merger can be reduced by the sale and leaseback of H Samuel sites. It seems likely that Ratner will act quickly to reduce the debt mountain and assuming financing costs are cut to 11m, pre-tax profits of \$14m look probable. On a tax charge of 85 per cent, the shares at 17 1/2p are on a p/e of 17-18 and see.

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R WATSON & SONS CONSULTING ACTUARIES

WATSONS QUARTERLY

Hanson fixes Imps placing at 180p

Hanson Trust has completed the international placing of 75m shares it launched earlier this month in connection with its recent takeover of Imperial Group. The company announced yesterday that the offering price had been fixed at 180p — Hanson's share price just before the close of Stock Exchange business yesterday — giving the placing a value of £135m.

The shares are part of a 100m block held by an investment company associated with Hanson which bought Imperial shares during the bid and then received Hanson shares in return for the Imperial ones.

John Haggas ends talks with Bulmer

John Haggas, a spinner of wool and synthetic yarns, has ended informal talks which were intended to lead to it making an offer for Bulmer & Lumb (Holdings), a weaving, knitting and dyeing group.

Haggas said it had no intention of bidding for Bulmer, which last month reported almost halved profits of \$914,000 in the year ended April 1986, despite a 20 per cent rise in yarn production.

Bulmer's shares fell 10p yesterday to 92p to value the company at \$7.9m.

EPIC £1.7m offer

Estates Property Investment Company (EPIC) is making an agreed £1.7m offer for Union of Home and Land Investors, a private company which invests in property and stocks and shares. Holders of about 50.49 per cent of Union's equity have undertaken to accept.

Full acceptance would result in the issue of 997,500 new ordinary shares (5.2 per cent) in EPIC and payment of \$6,250 in cash. Union's net assets at March 31 1985 were £1.8m and pre-tax revenue for the year to that date was £133,000.

MY Dart

Coast Investment and Development Company of Kuwait has increased to 22.4 per cent its holding in MY Dart, a manufacturer of packaging, bicycles and fireworks. Dart shares closed at 45p, up 3p on the day.

Coast investment, which already held 2.6m shares in Dart, has bought a further 2m. The additional stake apparently came from Times 68, an Australian registered company on the list up at stake in Dart earlier this year. Its sale of 2m shares means it no longer has a notifiable interest in Dart.

DRG sale talks off

DRG said it had been unable to reach satisfactory terms for the sale of DRG Cartons, its Bristol based folding carton operation. It had therefore terminated talks with interested parties and said it would now concentrate on restructuring the business. Mr R. W. Pettit has resigned as managing director of DRG Cartons.

EMAP purchase

Henry Ansbacher yesterday announced the sale of 5.4 per cent of the ordinary shares of Home Counties Newspapers to EMAP. The 135,000 shareholding interest, EMAP's holding in Home Counties to 18.8 per cent — 470,187 shares.

Senior Engineering

Senior Engineering Group has paid £1.9m cash for the air distribution equipment division of Barber & Colman. The business will be continued on the list up at Sale, in Great Manchester and trade under the name of Senior Colman.

Brown Shipley

Kreditbank Luxembourg has acquired 700,000 (4.65 per cent) ordinary shares in Brown Shipley Holdings, taking its holding to 3.8m shares (26.5 per cent).

NatWest US rises 22%

BY WILLIAM HALL IN NEW YORK

National Westminster Bank USA, the American subsidiary of the National Westminster Bank Group, increased its first quarter net income by 22 per cent to a record \$287.7m (£11.8m) and reported that its assets had risen by 17 per cent to \$10.4bn over the past year.

Mr William T. Knowles, NatWest US's chief executive, said that the record earnings reflected "strong gains in the bank's domestic markets resulting in increased loans, core deposits and fee income, accompanied by continued improvement in the bank's asset quality." It increased its provision for loan losses by \$4.2m to \$18.7m, and noted that its allow-

ance for loan losses is now equivalent to 94 per cent of non-accrual loans — among the highest for money centre banks.

Net interest income rose 11 per cent to \$92m, reflecting increased earnings assets and a reduced level of non-accrual loans. Loans, principally in the bank's middle market and consumer portfolios, increased by \$1m in the first half of 1986 compared with a year ago.

Other income rose 17 per cent to \$22.7m, and sales of investment securities generated gains of \$4m in the second quarter of 1986, compared with \$5.2m. Equity capital increased to \$586m at the end of June (\$527m).

Hallite falls to £0.6m

SECOND-HALF pre-tax profits

Hallite increased from \$488,000 to \$711,000, but figures for the full year to May 3 1986 were down from \$701,000 to \$617,000.

First-half profits were down from \$285,000 to just \$46,000 and Mr J. Gordon, the chairman, said in his interim report that the halt had been affected by the reorganisation of facilities at Hampton, and by the profit benefit given to 1984-85 at the expense of the first half of 1985-86.

He said yesterday the improvement in the second half indicated that the reorganisation was now having a beneficial

impact on group results.

The second half performance had encouraged the board to recommend an increase of 1p to 7p net in the final dividend for a total of 10p (9p). Stated earnings per 50p share were down from 15.5p to 11.2p on a net basis, and from 14.1p to 13.4p on a full basis.

Significant progress was made by this manufacturer of synthetic rubber and plastic precision seals during the second half in reducing group debt, and the ratio of net debt to shareholders' funds was reduced during the year from 38.6 per cent to 18.2 per cent.

Company Notices

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We inform the bondholders that in accordance with the terms and conditions of the notes, the Province of Quebec has elected to redeem all of its outstanding notes on September 1st 1986 at 101 %.

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The notes will be reimbursed, coupons at 5 due September 1st 1987 attached according to the terms and conditions of the notes.

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SECOND NOTICE TO HOLDERS OF FLOATING RATE NOTES 1985-1987
HOLDERS OF 100,000,000 FRANKS 1985-1987 OF US\$10,000 EACH

The holders of international notes issued by SOCIETE GENERALE who were called to a meeting on July 15, 1986, to discuss the proposed redemption of the notes, are invited to attend a meeting in the hall at 27, rue de Valenciennes, Paris 11^e SECTEUR 75011, on July 22, 1986.

To permit the shareholders to attend or to be represented at these meetings, the terms of their deposit receipts must be deposited at least five days before the date of the meeting, at the offices of the bank's paying agent in the places of issue of these notes and from whom proceeds of redemption can be received.

US\$50,000,000 HYPOEN QUOTED SECURITIES DUE 1st JULY 1987
Debentures covering U.S.\$495,000 have been purchased on the market in order to purchase the Fund due 1st July 1986.

BOARD MEETINGS

The following companies have notified dates of board meetings in the Stock Exchange. Such meetings are usually held for the purpose of considering dividend proposals and are not available as to whether the dividends are interim or final and the substance of the proposals is based mainly on last year's timetable.

Company	Date
Admiral	July 21
AIM	July 31
Burford	July 21
Case	July 21
Priddy (Africa)	July 25
Real Trust Control	July 25

DIVIDENDS ANNOUNCED

Company	Current Payment	Date of payment	Corro. div.	Total last year
Crown House	4.91	Oct 1	4.25	7.9
Deansgate Elect	1.25	Aug 20	1.25	2.5
George Dew	2.3	Sept 26	2.3	4.6
Ellis & Everard	6.1	Sept 25	6.5	12.6
Evede	1.04	Sept 25	0.94	1.98
Greene King	2.89	—	3.55	6.44
Hallite	7	Oct 1	6	13
Hampton Trust	0.85	Oct 1	0.85	1.7
Qantel	3.22	Oct 3	—	3.22
Ratners	0.75	Oct 15	1.87	2.62
Seaboard Int	1.65	Oct 17	2.4	4.05
Tennant Jersey	2.75	—	2.75	5.5
United Leasing	2.5	Oct 2	2.2	4.7

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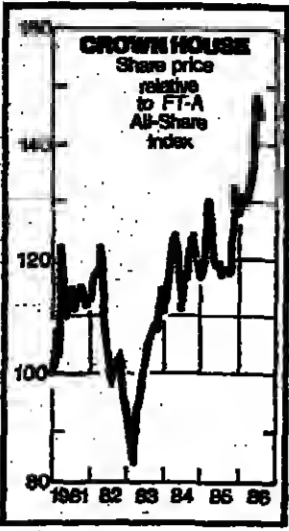
UK COMPANY NEWS

Crown House forecast beater with £7.2m profit

BOTH MAIN trading divisions—tableware and engineering services—contributed towards a £1m pre-tax profit increase at Crown House for the year ended March 31 1986. The dividend is lifted from 7p to 7.5p net.

The group yesterday announced a profit of £7.16m. This compares with not less than £6.5m forecast with the December rights issue and with £6.16m achieved in 1984-85. The final dividend is 4.5p, against 4.75p paid in December.

In tableware, turnover rose 17 per cent to £4.79m and profit by 21 per cent to £2.78m, while turnover in engineering advanced 24 per cent to £1.47m and profit by 3 per cent to £4.28m. Turnover attributable to the UK stayed at 77 per cent, but North America improved from 8 to 13 per cent.



Emirates finished and the remaining work in Trinidad and Oman will be completed shortly. Closure operation costs could not be calculated, but it was considered unnecessary to make further provisions in the 1985-86 accounts above the £2.7m provided to date.

comment
The petrol forecast war, give-away glasses and so on, held Crown House's bottom of the range tableware sales last year. Clearly, "There's rubbish that sells and rubbish that don't and some you can only give away" to quote one industry analyst. Nevertheless operating profits were up a fifth. There was also some fairly free spending—gone already are the £5.6m net proceeds of December's rights issue plus another £6m in cash to leave the group neatly geared (17 per cent) as opposed to the £2.5m net cash of a year ago. The earnings growth for 1985-86 is only minimally affected by the late in the financial year rights move. However, Crown now has quite a lot to do on its expanded capital to avoid the appearance of standing still. On the engineering front, 1985-86 has seen the end of overseas work and demand, but not earnings, is strong at home. The George Butler acquisition, which has absorbed the major part of 1985-86's £12m cash consumption, should only wash its face this year and it will be 1987-88 before any sizeable contribution can be expected. On forecasts of £7.5m the shares, up 2p to 22½p against a falling market, look comfortable on a prospective multiple of almost 12.

Mr Patrick de-Farthington, chairman, said demand for group engineering services, particularly in UK contracting, was at an unprecedented level though conditions remained fiercely competitive. Nevertheless, he said, this was a most encouraging feature of the present market scene.

Demand for tableware was slack in some areas of the home business, partly due to the reduction in the number of overseas visitors. He was optimistic that the important Christmas period would see a high demand for gift and tableware products.

Unless any exceptional opportunity should arise to make an acquisition, the board intended to concentrate expansion by organic means in the immediate

future. Overall, prospects looked encouraging, the chairman reported.

Group turnover in the year came to £202.3m (£196.5m) and operating profit to £7.6m (£6.2m). Net interest paid was £42,000 (£134,000). After tax £3.5m (£3.2m) and minorities £715,000 (£194,000) the net profit was £4.51m (£3.19m) for earnings of 17.7p (12.9p).

At the half year, the decision was reported to withdraw from overseas contracting operations; also, a £1.2m extraordinary provision had been made in addition to the £1.5m provided in the 1984-85 accounts.

All the group's operations in South Africa had been sold. Since the year end all work in Egypt and the United Arab

Abaco paying £5m for estate agent

By Charles Batchelor

Abaco Investments, the acquisitive financial services company in which British & Commonwealth Holdings has a 21 per cent stake, is paying £5.2m for Messenger May Baberstock, a chartered surveyor and estate agent.

Messenger has 10 offices in Surrey and Hampshire employing 198 staff and with 1985 turnover of £2.5m. It produced £541,000 of net profit available for distribution to partners last year and made a pre-tax profit of £363,000. Further substantial profit growth is expected this year.

This is Abaco's fourth acquisition in 1986 and comes less than a month after it bought Tepis and Harding Group, an insurance loss adjuster, for £12.2m.

In February Abaco made its first move into the estate agency business when it paid £6.2m for Bridgers, which had 25 offices covering an area adjoining that of Messenger.

Abaco has been acquiring professional partnerships across a broad range of financial services over the past three years. In 1983 it was created from Greenoak Properties, which was transformed by the injection of Brown Goldie, a finance and investment company run by Mr Peter Golding and Mr Cameron Brown, two former executives with Guinness Mahon.

Messenger and Bridgers will provide outlets for the mortgage broking services offered by John Charcol, an early Abaco acquisition and for other financial services provided by the group. Messenger specialised in the country house market while Bridgers tends to handle less expensive properties. Messenger also has a commercial department, a professional department handling surveys and valuations and an antique and fine art saleroom in Godalming which generated 1985 fee income of £479,000.

Abaco will pay £4.82m in cash and issue 652,400 new shares to Messenger on completion of the deal.

Abaco's shares fell 5p to 85p yesterday.

Denmans reduction

After a satisfactory opening quarter, the 1985-86 year is proving difficult for USM quoted Denmans, an electrical wholesaling group, and shareholders are being warned of a drop in the year's profit on the previous £1m.

The first half, to March 31 1986, saw pre-tax profit fall by 10 per cent, from £492,000 to £445,000, mainly because of a failure to achieve sales targets, said the chairman Mr Arnold Demman.

The second half, he added, would be affected by the initial costs of expansion into North West England, and he anticipated that the full year result would be less than last year.

The interim dividend is lifted to 1.35p (1.25p) net.

ISSUE NEWS

Sandell Perkins to go for full listing

One of the larger privately owned builders, material and timber merchants, Sandell Perkins, is planning a full Stock Exchange listing next September if way of an offer for sale.

The announcement was made yesterday along with the company's figures for last year, which showed a 19 per cent rise in pre-tax profits to a record £8.9m on turnover of £82.7m (£78.5m). The company said that in the last 7 years, both turnover and profit had grown more than sixfold.

The oldest component of the Sandell Perkins group, & AS Smythe, was founded in 1785, and the present name dates from the merger of Sandell Smythe, Deynton and Ingram Perkins in 1970.

Half of the group's 48 branches are based within greater London and the M25 ring, with the remainder stretching from Canterbury to Bristol.

Mr Tim Perkins, 52-year-old chairman, said that the creation of a market in the company's shares would enhance the opportunities available for financing future expansion.

County will be adding the company on the offer and the broker will be King & Cruckshank.

Hughes Food joins the USM via a £3m placing

Hughes Food Group is joining the USM via a £3m placing. The Rumburgh-based group operates cold storage facilities, supplies food processing machinery and rents out forklift trucks.

Brokers Jacobson Townley are placing 15m shares, 35.6 per cent of the enlarged capital, putting a market capitalisation on Hughes of around £8.4m.

The group was formed after a reverse takeover by the former Hughes Holdings of Rini (Malaya) Rubber Estates.

Following the placing, Mr J. D. Hughes, the chairman, will hold 51.35 per cent of the group, Investors for Industry

8 per cent and 40.64 per cent will be in public hands. Some 10% of the shares being placed represent sales by Mr Hughes and 3%.

Around £1m will accrue to the group, which will be used for working capital, in particular for the development of its cold storage capacity.

Last year, Hughes made profits of £861,272 on turnover of £3.3m (excluding intra-group sales and charges). The group has forecast not less than £900,000 for the year to February 28 1987. That puts the shares on a prospective p/e of 14.5.

Dealings will start tomorrow.

Cambium Venture cash call

Cambium Venture Capital, investment company, yesterday reported increased losses for 1986 and at the same time announced a rights issue to raise £1.02m before expenses.

The rights is on a one-for-one basis at a price of 11p each and the issue has been underwritten by T. C. Coombes and Co.

Full year income totalled £26,226 (£39,156), but administration expenses took £86,453 (£51,913) and interest payable £1,973 (nil) leaving a pre-tax deficit up from £12,737 to £62,200.

After a tax credit of £10,473 (nil) loss per 5p share was 0.57p, against 0.15p.

The directors said progress had continued towards the goal of long-term capital appreciation of the company's investments.

This year had seen Open Computer going into receivership and Cablecom being successful in attracting considerable outside finance for its planned operations.

Several other investments were considered to be showing signs of considerable potential.

Spillio 11/86

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FT/15



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FURTHER INCREASE IN HAMPER SALES RESULTS IN RECORD PROFITS

► SALES UP UP 25.7% ◀
► PRE-TAX PROFIT UP 18.7% ◀
► EARNINGS PER SHARE UP 20.9% ◀

Year to 31st March	1983	1984	1985	1986
Sales	£24.4m	£28.6m	£39.2m	£49.3m
Pre-tax profit	£1.20m	£1.56m	£1.91m	£2.27m
Earnings per share	5.78p	8.01p	10.21p	12.34p
Dividends	Private Company	3.0p	3.6p	4.2p

Orders for Christmas 1986 at record level New acquisitions trading successfully Current year prospects excellent

PARK FOOD GROUP PLC
Copies of the Report and Accounts are available from:
The Secretary, Valley Road, Birkenhead L41 7ED

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BUILDING SOCIETY
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Interest payable on the relevant interest payment date, 14 October, 1986 will amount to £128.39 per £5,000 Note and £6,419.52 per £250,000 Note.

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UK COMPANY NEWS

Sale Tilney expands financial side

BY NICK BUNKER

Sale Tilney, engaged in engineering, food processing and distribution, is stepping up its involvement in financial services by buying R. L. Stott, an Isle of Man private client stockbroker, and R. J. Temple, one of the UK's biggest investment advice and financial planning companies.

The group, where pre-tax profits jumped by 32 per cent to £4.1m in 1985, already includes an insurance underwriting agency, a Lloyd's broker and a Swiss fund management company.

Richard King, Sale Tilney's chairman, said the latest acquisitions reflected "the general trend towards pro-

viding a comprehensive financial service within the same organisation."

Sale Tilney is paying £3.35m for R. L. Stott, made up of £2.65m cash and £700,000 from the issue of 222,225 new ordinary 25p shares in the group.

Stott was founded in 1982 and has been controlled by the Stott family for about 50 years. It made a pre-tax profit of £490,000 in the year to March 27, when it ceased trading as a partnership and was incorporated as a company.

With a private client base of about 2,500, it has specialised in investment advice to UK and foreign expatriates.

Mr Dursley Stott, the former senior partner, said he had been looking for opportunities to exploit markets outside the Isle of Man, and had been approached by a number of financial institutions interested in purchasing the firm before opting to join forces with Sale Tilney.

The acquisition comes at a time when provincial brokers have been looking for new alliances with other and with outside interests in the run-up to this October's Big Bang London stock market reforms.

Sale Tilney is to pay an initial consideration of £7m for R.J. Temple, £3.8m in cash and the

remainder in the issue of new Sale Tilney ordinary shares. A further consideration will be payable if this year R.J. Temple's profits exceed the 1985 pre-tax profit of £284,000.

R. J. Temple, which was founded in the 1960s as a tax consultancy, became an investment advice, insurance broking and financial planning company in the late 1970s.

Based in London and Brighton with 22 UK regional offices, it manages funds of £30m and has a client list of 67,000. It is expected to work closely with R. L. Stott, Mr Dursley Stott will join Temple's board.

Improved margins behind rise at Sekers

A FURTHER improvement in gross margins enabled Sekers International to lift its 1985-86 profits to £1.71m pre-tax, an increase of 23 per cent over the previous year's £1.33m.

Sales expanded throughout the year to reach £20.57m, an increase of 13 per cent on the £18.2m of 1984. The London-based company is engaged in the manufacture of furnishing fabrics.

The directors said that Sekers defied its business not only to its traditional markets, but from the consolidation of new markets.

They added that there had been a continuation of the capital expenditure programme in manufacturing companies at that time were in place to continue this policy in the current year.

Trading profit for the year to March 31 1986 improved from £1.79m to £2.23m. Other operating income added £148,000 (£114,000).

Pre-tax profit were struck after taking account of an £24,000 rise in interest charges to £72,000.

Tax (£463,000) left net profits at £1.3m, up from £865,000.

Earnings worked through 4.27p to 13.23p and a final dividend of 1.5p (1.4p) raises the total from 2p to 2.5p net per share.

Last November in their interim report (first half profits increased by 67 per cent to £81,000 pre-tax from turnover 14 per cent ahead at £3.74m) the directors said with the level of activity and order book they remained confident about the full year output.

At year-end, shareholders' funds totalled £6.56m (£5.51m). Net assets showed an improvement of 18.7p to 66.9p per share.

ANNUAL RESULTS SANDELL PERKINS PLC
BUILDERS AND TIMBER MERCHANTS

"Another year of excellent progress"

Tim Perkins, Chairman

Year end 31 March	1986	1985
Turnover up 18%	£92.7m	£78.3m
Pre-tax Profit up 19%	£6.9m	£5.8m
Earnings per share up 10%	16.3p	14.8p
Dividend up 32%	5.0p	3.8p

Sandell Perkins

Sandell Perkins is the largest privately owned builders and timber merchants in the UK. Its roots go back over 200 years and it has 48 branches in London and the South of England.

If you would like to know more about this successful, growing company, please send for their Annual Report and Financial Statements 1986 using the coupon opposite.

To: The Company Secretary, Sandell Perkins plc, Cobtree House, Forest Road, Aylesford, Maidstone, Kent ME20 7AG. Please send me a copy of the Sandell Perkins plc Annual Report and Financial Statements 1986.

Name: _____
Address: _____

FT 117

Exceptional costs hit George Dew

STRUCK THIS time after an exceptional charge of £254,000 for redundancy and reorganisation costs, pre-tax profits of George Dew, civil engineer and building contractor, fell from £473,000 to £411,000, in the half year to May 4 1986.

After an increased tax charge of £194,000 (£110,000) earnings per 25p share were down from 4.5p to 2.5p. The net interim dividend is however, unchanged at 2.5p—last year's total was 6p on £1.06m profits.

Turnover was down from £12.24m to £11.09m, which the directors said reflected their determination to be more selective in seeking work. There were some current interests in the sales of group property development together with the piling and landscape work. While work in the United Arab Emirates continued on a reduced scale, Dew was maintaining good progress in the Oman.

S. & J. Whitehead, the group's specialist stonemasonry contractor, was expanding steadily.

The piling division was busy and with the addition of the recently purchased Tilmatier vibrationless piling equipment, the directors looked forward to a further expansion of work.

Evode advances to £1.3m

PROGRESS BY its mainstream manufacturing division continued to suffer from poor demand and adverse weather conditions and incurred a higher loss of £244,000 (£136,000). Although sales and margins were improving in the second half, trading performance remained difficult to predict in view of the highly seasonal nature of the business.

The paints and plastics side raised profits from £708,000 to £785,000. Strong organic growth was achieved particularly in the powder coatings market. The joint powder coating venture with the Dexter Corporation in the US will begin production in September and will contribute to final figures for the year. Mr Simon, the chairman, said the company anticipated further progress in the current year. Longer term, Evode's commitment remained to the continued development of its technology and its recently formed "Forward Technology Group" was developing some interesting opportunities which he said, offered excellent prospects.

Despite relatively poor demand in some sectors, the adhesives and sealants division increased profits from £521,000 to £576,000. The benefits of the cost reduction programme implemented last year and in the first quarter of the current year, were showing through and there were continuing new product developments in hand for next year. The chairman said Evode profits were most satisfactory.

However, the roofing and insulation division continued to suffer from poor demand and adverse weather conditions and incurred a higher loss of £244,000 (£136,000). Although sales and margins were improving in the second half, trading performance remained difficult to predict in view of the highly seasonal nature of the business.

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comment

Yesterday found Evode attempting a metamorphosis. No longer content to be stuck with its fine-manufacturing tag, it has had its listing transferred from the Miscellaneous Industrials sector to Chemicals and Plastics and is laying heavy

emphasis on its new self-styled status as a specialist chemicals company. The change is understandable, for speciality chemicals is the best bit of the business: the powder coatings division is already a major player in a rapidly expanding UK market and the joint venture with Dexter holds out good prospects for faster growth still in the US. Whether it is justified or not is another matter. The cynical view is that it is a cosmetic change to distract attention from the fact that 50 per cent of turnover is coming from the adhesive and sealants division, whose profits are increasing more through cost-cutting than increased sales, and another 12 per cent from roofing and insulation, which is still turning in losses and faces an uncertain second half. With perhaps £3.5m in sight for the full year and the shares up 3p to 128p, the prospective P/E ratio of under 13 suggests that the market is only half convinced of Evode's new status, and it will probably take a good deal of persuasion — or some more convincing full-year figures — to take it the rest of the way.

Rand Mines Group
All companies are members of the Barlow Rand Group

Gold Mining Company Reports for the Quarter ended 30th June, 1986
(All Companies incorporated in the Republic of South Africa)

Office of the Secretaries of the undermentioned companies in the United Kingdom, 40 Holborn Viaduct, London EC1P 1AJ

ELYVOORUITZICHT GOLD MINING COMPANY, LIMITED
Registration No. 020724200
ISSUED CAPITAL: R6 000 000 IN 24 000 000 SHARES OF 25 CENTS EACH.
REPORT OF THE DIRECTORS FOR THE QUARTER ENDED 30TH JUNE, 1986

Quarter ended	30.6.1986	31.3.1986	30.6.1985
Operating results			
Gold milled (kg)	36,510	31,390	30,510
Gold produced (kg)	2,000	1,800	1,500
Yield (g/t)	5.1	5.1	5.1
Revenue (Rm million)	158.0	146.7	146.7
Costs (Rm million)	92.0	82.0	82.0
Profit (Rm million)	66.0	64.7	64.7
Profit (cents per share)	2.75	2.70	2.70
Dividend (cents per share)	2.50	2.50	2.50

HARMONY GOLD MINING COMPANY, LIMITED
Registration No. 057223100
ISSUED CAPITAL: R11 442 220 IN 24 000 000 SHARES OF 48 CENTS EACH.
REPORT OF THE DIRECTORS FOR THE QUARTER ENDED 30TH JUNE, 1986

Quarter ended	30.6.1986	31.3.1986	30.6.1985
Operating results			
Gold milled (kg)	38,000	31,390	30,510
Gold produced (kg)	2,000	1,800	1,500
Yield (g/t)	5.1	5.1	5.1
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Costs (Rm million)	92.0	82.0	82.0
Profit (Rm million)	66.0	64.7	64.7
Profit (cents per share)	2.75	2.70	2.70
Dividend (cents per share)	2.50	2.50	2.50

DURBAN ROODEPOORT DEEP LIMITED
Registration No. 010092800
ISSUED CAPITAL: R2 328 000 IN SHARES OF R1.00 EACH.
REPORT OF THE DIRECTORS FOR THE QUARTER ENDED 30TH JUNE, 1986

Quarter ended	30.6.1986	31.3.1986	30.6.1985
Operating results			
Gold milled (kg)	36,510	31,390	30,510
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Yield (g/t)	5.1	5.1	5.1
Revenue (Rm million)	158.0	146.7	146.7
Costs (Rm million)	92.0	82.0	82.0
Profit (Rm million)	66.0	64.7	64.7
Profit (cents per share)	2.75	2.70	2.70
Dividend (cents per share)	2.50	2.50	2.50

EAST RAND PROPRIETARY MINES LIMITED
Registration No. 010077300
ISSUED CAPITAL: R11 088 000 IN SHARES OF R1.00 EACH.
REPORT OF THE DIRECTORS FOR THE QUARTER ENDED 30TH JUNE, 1986

Quarter ended	30.6.1986	31.3.1986	30.6.1985
Operating results			
Gold milled (kg)	38,000	31,390	30,510
Gold produced (kg)	2,000	1,800	1,500
Yield (g/t)	5.1	5.1	5.1
Revenue (Rm million)	158.0	146.7	146.7
Costs (Rm million)	92.0	82.0	82.0
Profit (Rm million)	66.0	64.7	64.7
Profit (cents per share)	2.75	2.70	2.70
Dividend (cents per share)	2.50	2.50	2.50

Hampton Trust up and further growth expected

Hampton Trust, the property, mining and exploration group, increased pre-tax profits from £677,000 to £922,000 for the year ended March 31 1986.

Net surplus for the year came out higher at £790,000 (£590,000), after £129,000 (£48,000) minorities and an extraordinary charge of £76,000 last time.

While stated earnings per 5p share declined from 2.37p to 1.65p, the dividend is raised to 1p (0.7p) net with a final of 0.65p.

Net assets at the year end were up sharply from £10.75m to £23.55m.

The directors said that the company's asset base was now supported by over £22m of long term capital. The company continued to seek further opportunities for expansion and the board was confident the current year's results would show further growth.

Net rental income in 1985-86 jumped from £888,000 to £3.12m.

Australian mining net income was £32,000 (£16,000) and the group's gas wells contributed a net £45,000 (£4,000) after expenditure and depreciation of £82,000 (£105,000).

Trading profits increased from £908,000 to £3.26m, but other income dropped to £591,000 (£786,000) reflecting a sharp fall in profits on sale of investments. Administrative expenses took £400,000 (£267,000), while interest payable soared from £723,000 to £2,497,000.

During the year a total of £24.5m fixed-interest finance was raised by the issues of long-term securities. Since the year-end a £2.83 11/2 per cent mortgage stock 2007 had been issued which, together with the other issues, had eliminated all material short-term borrowings.

The directors said that the reduction in interest charges resulting from these issues would be reflected in the current year's results.

Greene, King & Sons, plc
BREWERS, BURY ST. EDMUNDS

Results for 53 weeks to 4th May, 1986

- Pre-tax profits advanced by 17%
- Earnings per share rose by 24%
- Dividend increase proposed 15%

"A strong balance sheet and positive cash flow encourages us to press ahead with a record level of capital expenditure in the current year to enhance our position in a trading area continuing to be one of the most prosperous in the UK"

W. J. Bridge, Chairman

Year ended	4.5.86	Year ended	23.4.85
Turnover	90.10	80.229	
Profit before tax	11.21	9.654	
Earnings per share	17.5	14.3p	
Dividend per share	5.66	4.87	

Copies of the Report and Accounts will be available from
The Secretary, Westgate Brewery,
Bury St. Edmunds, Suffolk IP1 1QT
from 24th July, 1986 (Tel: Bury St. Edmunds 63223).

London & Continental Bankers Ltd.

Annual Results 1985/86

A year of positive progress

- Record Pre-Tax Profits of £4m.
- Capital Funds now £47.4m.
- Further expansion in Treasury and Securities.
- Growth in International Investment Banking.
- A Successful Start in Strategic Consultancy.
- Opening of our New York Office.

LCB, established in 1973, is an international merchant and investment bank with established capabilities in Corporate Finance and Loans, Treasury and Securities, Strategic Consultancy, Leasing and Investment Management.

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London & Continental Bankers Ltd.

London & Continental Bankers Ltd.

Annual Results 1985/86

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London & Continental Bankers Ltd.

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FT UNIT TRUST INFORMATION SERVICE

EQUITIES table with columns: Issue, Price, Change, etc. Lists various stocks and their performance.

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Table listing authorized unit trusts, including names like 'British United Unit Trusts' and 'Allied Unit Trusts'.

Table listing various unit trusts and their details, including 'British United Unit Trusts' and 'Allied Unit Trusts'.

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FIXED INTEREST STOCKS table with columns: Issue, Price, Change, etc. Lists fixed interest securities.

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'RIGHTS' OFFERS table with columns: Issue, Price, Change, etc. Lists rights issues and offers.

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FT CROSSWORD PUZZLE No. 6073

Crossword puzzle grid with clues for Across and Down.

ACROSS clues: 1 It's cheap forged copy (8), 2 Southern scripters found on a wall (5), etc.

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AUTHORISED UNIT TRUSTS & INSURANCES

Main table containing financial data for various unit trusts and insurance companies, including names, codes, and numerical values.

INSURANCES

Table listing various insurance policies and providers, including details like policy numbers and terms.

INSURANCE, OVERSEAS & MONEY FUNDS

Table listing various insurance and financial products with columns for company names, fund names, and numerical values.

Table titled 'MANAGEMENT SERVICES' listing various management services and their associated costs or fees.

Table titled 'OFFSHORE AND OVERSEAS' listing international investment funds and their performance metrics.

Table listing various insurance and financial products, including life insurance and investment funds.

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Money Market Trust Funds

Money Market Bank Accounts

TRADITIONAL OPTIONS

3-month call rates

NOTES

M. E. Tyrrell & Co. Ltd.

US Federal Securities Fund SA

US Pacific Stock Fund

US Treasury Securities Fund Ltd

United Fund Managers Ltd

Viking Fund - SICAV

Warburg Investment Management Jersey Ltd

Warburg Investment Management Jersey Ltd

Warburg Investment Management Jersey Ltd

COMMODITIES AND AGRICULTURE

Cool reception for EEC plan to pension off older farmers

BY TIM DICKSON IN BRUSSELS

EEC AGRICULTURE Ministers last night expressed strong reservations about a European Commission plan to pension off older farmers and encourage the young.

"The idea of paying older farmers to retire so that younger ones can take their place is as manifestly barmy as giving people petrol at a fire," Mr John Gummer, the UK's junior Agriculture Minister, commented yesterday.

British President of the Council of Agriculture Ministers, emphasised that along with the reform of the beef and veal regime it would be "at the head of the list" of matters to be discussed during the six-month British presidency.

Heads of Government, he reminded his ministerial colleagues, reaffirmed the need to adapt the Common Agricultural Policy to changed circumstances. They called for better control of production so that it is more closely adjusted to the market situation and so that agriculture's share of expenditure can be reduced.

Commission warns on beef support cost

BY TIM DICKSON

THE EUROPEAN Commission yesterday forcibly reminded EEC Farm Ministers of the costs of supporting the Community's beef producers.

Mr Frans Andriessen, the Commissioner responsible for Agriculture, told Ministers at their monthly meeting in Brussels that the Commission has budgeted to buy in 300,000 tonnes of beef in the financial year ending next April. But in the first three months of 1988, he said, some 230,000 tonnes had already been taken into Community intervention stores with every prospect that this

figure will be substantially increased during the autumn marketing period. The Commission estimates the cost at Ecu 4.5 per tonne per year.

Mr Andriessen's warning was clearly designed to give new impetus to the Commission's proposals for reforming the beef regime, which have been on the table since last December.

These were discussed during the marathon price fixing negotiations in April but it was agreed then to postpone any decision until the end of the year. Mr Michael Jopling, the new President of the Council, made

it clear yesterday that he sees reform of the regime as one of the major priorities of the British presidency.

Yesterday, however, member states reiterated their stated positions on the Commission's plan, reflecting a wide variety of objections. The proposals would ultimately lead to the complete dismantling of intervention schemes except in cases of extreme market disruption (a caveat which has not yet been fully spelt out by the Commission). In order to compensate for the change, a single premium for specialist beef producers would be payable at a

fixed rate regardless of market conditions. It would, however, only apply to suckler cows and the first 50 kg of animal carcasses, a condition which is fiercely opposed by Britain where only two fifths of the relevant producers would benefit.

Member states appear to be united in their determination to do something about the costs of intervention — the question, of course, is how. With the same degree of opposition to its proposals as before it is thought that the Commission will have to come back with new ideas in September.

Inspiration Copper reaches pay deal

Consolidated Inspiration Copper, a subsidiary of Inspiration Resources, has reached a tentative labour agreement with its copper workers, a union official said yesterday.

Contracts at Inspiration expired on June 30, but some 630 unionised employees remained at work while talks continued.

The union spokesman said the proposed three-year contract involves pay cuts, but also provides for some 230,000 tonnes of copper to be sold at the price of copper. He declined to give further details.

The tentative pact has to go before the full union bargaining committee and also the National Non-Ferrous Industry Steering Committee which determines whether to recommend it to members. A vote by the rank and file would probably take place towards the end of this week.

Consumers raise cocoa pact price proposal

BY WILLIAM DULLFORCE IN GENEVA

COCOA CONSUMING countries yesterday offered a higher reference price and modified their proposal for a price adjustment mechanism, as negotiations on a new international cocoa agreement moved into their second week.

Mr Julian Omura of Nigeria, the producers' spokesman, said the new price offer was unacceptable but delegates from the leading producing countries were meeting on their own in the evening to study the consumers' latest package offer.

It allows for a reference price of 102 cents a pound instead of the 100 cents the consumers offered last week, and the 107.5 cents called for by the producers.

This price structure provides for an upper intervention price of 120 cents, a lower intervention price of 100 cents and the 107.5 cents called for by the producers.

The decision to improve the reference price on offer was taken by the European Community countries after long consultations on Friday and contacts between negotiators and producers on Monday morning.

Other consuming countries accepted the structure on food and industrial uses and intervention levels but put 122 cents and 82 cents respectively, 2 cents further from the reference price than suggested by the consumers.

The consumers have also conceded that the cocoa price shall be adjusted when buffer stock purchases or sales within a period of six consecutive months reach 75,000 tonnes as asked for by the producers.

In return, however, the consumers want the maximum price revision triggered by the buffer stock changes to be 7.5 cents instead of the 7.5 cents they originally offered and the 5 cents demanded by the producers.

A further modification in the consumers' latest proposal concerns the annual review of prices. The modification concludes that if the average of indicator prices over the preceding 12 months has been above the upper or below the lower intervention levels, prices need not be revised. If the average has been within the intervention levels during the two immediately preceding months.

Mr Omura said the producers' response would be decided at a full meeting of producing countries this morning. Mr René Montes, the president of the UN cocoa conference, suggested that he would hold separate meetings with the two sides and probably convene a restricted meeting of major producers and consumers later in the day.

Mr Denis Bra Kanon, the Agriculture Minister of the Ivory Coast, the largest producer, was due back in Geneva from Paris yesterday evening. As the man who precipitated the collapse of the last round of talks on a new cocoa agreement, his role is regarded as being decisive.

Weather hits US and Soviet crop prospects

By Nancy Dunne in Washington

HOT DRY weather is decimating crops in both the US and the USSR. But so far it has not affected early season projections for plentiful worldwide grain production.

In the South-eastern US, a drought has limited water supplies and stressed about 12 per cent of the nation's soybean crop. While relief for that area is in sight, according to Ms Gail Martell, chief weather forecaster for E. J. Hutton, the drought west over the Mississippi Delta region, thereby threatening 30 per cent of the soybean crop.

In the Soviet Union, heat and drought covered the Volga, Eastern black soils region and the North Caucasus in May and June and spread westward into the Ukraine. The winter and spring grains have both been affected, according to a US Department of Agriculture analyst.

Last Friday the USDA dropped its estimate of the total 1988 Soviet grain crop to 180m tonnes, down 5m from its previous month. At least one commodity company has predicted a 180m tonne output.

But if the Soviets are worried, their concerns have failed to show up in the marketplace. According to the USDA, reports of purchases have been scarce. Buying of Argentine coarse grains has run short of expectations, and there have been no recent reports of Canadian sales.

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LONDON MARKETS

COFFEE PRICES yesterday followed through on the sharp gains recorded at the end of last week as concern about dry weather in the Brazilian growing belt continued to encourage speculative activity.

On the futures market the September position, which has risen \$121.50 on Friday, put on another \$76 to reach \$1,872.50 a tonne — just a week after touching a nine-month low of \$1,600 a tonne.

The cocoa market was also buoyant, reflecting growing optimism about the prospect of a workable international price stabilisation agreement emerging from the current round of talks between producers and consumers in Geneva. With weaker sterling against the dollar also encouraging buyers, the futures price advanced \$41 to \$1,379.50 a tonne. On the London Metal Exchange cash Grade A copper fell most of Friday's rise with a \$10 fall to \$287 a tonne.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

Table with columns: Unofficial + or - of (close/m), High/Low, Cash, 3 months, 6 months, 9 months, 12 months.

Official closing (am): Cash 748.50 (24.75-7), three months 808.5 (24.75-7), six months 808.5 (24.75-7), final Korb close: 767.7.

Turnover: 11,700 tonnes.

COPPER

Table with columns: Unofficial + or - of (close/m), High/Low, Cash, 3 months, 6 months, 9 months, 12 months.

Official closing (am): Cash 269.5 (24.75-7), three months 312.5 (24.75-7), six months 312.5 (24.75-7), final Korb close: 310.11.

Official closing (pm): Cash 255.25 (24.75-7), three months 290.5 (24.75-7), six months 290.5 (24.75-7), final Korb close: 282.5.

Settlement 800 (852). US producer prices 63-87 cents per lb.

Total turnover: 39,220 tonnes.

LEAD

Table with columns: Unofficial + or - of (close/m), High/Low, Cash, 3 months, 6 months, 9 months, 12 months.

Official closing (am): Cash 208.0 (24.75-7), three months 230.5 (24.75-7), six months 230.5 (24.75-7), final Korb close: 208.0.

Turnover: 884 tonnes.

TIN

Table with columns: Unofficial + or - of (close/m), High/Low, Cash, 3 months, 6 months, 9 months, 12 months.

Official closing (am): Cash 2088.0 (24.75-7), three months 2308.5 (24.75-7), six months 2308.5 (24.75-7), final Korb close: 2088.0.

Turnover: 7,190 tonnes. US Price futures: 41.50-47.75 cents per pound.

GOLD

Table with columns: Unofficial + or - of (close/m), High/Low, Cash, 3 months, 6 months, 9 months, 12 months.

Official closing (am): Cash 361.3 (24.75-7), three months 348.5 (24.75-7), six months 348.5 (24.75-7), final Korb close: 361.3.

Turnover: 41,500-47,750 cents per pound.

GOLD AND PLATINUM CENTS

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INDICES

REUTERS 2411.4 2412.6 1990.8 1777.3 (Three September 10 last = 100)

DOW JONES Dow July 11 1000 1100 1100 1100 (Three September 10 last = 100)

BASE METALS

MAIN PRICE CHANGES In tonnes unless otherwise stated.

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COCOA

Futures opened steady and gained further ground in the afternoon to move through limiting on the closing. The market was fairly good considering movement so late in the day and little business was seen, reports Hill and Sultana.

US producer prices 63-87 cents per lb. C. O. C. Cotton Quotation.

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US MARKETS

THE COFFEE MARKET showed the liveliest movement of the day, with the deferred months again moving up the 4c limit, while the limitless September position at one point advanced almost 10c to reach its highest level since mid-June, when the

breakthrough of the important 1988 support level took place, reports Havelock. The buying activity was seen as spillover both from the technically constructive close on Friday and from a similarly strong London performance in the morning. Reports of an un-interrupted 40-day dry spell in certain Brazilian planting areas seemed to come to the foreward of traders' minds, encouraging commission house short-covering, led to the first instance by renewed interest on the part of trade sources.

On the futures market the September position, which has risen \$121.50 on Friday, put on another \$76 to reach \$1,872.50 a tonne — just a week after touching a nine-month low of \$1,600 a tonne.

The cocoa market was also buoyant, reflecting growing optimism about the prospect of a workable international price stabilisation agreement emerging from the current round of talks between producers and consumers in Geneva. With weaker sterling against the dollar also encouraging buyers, the futures price advanced \$41 to \$1,379.50 a tonne. On the London Metal Exchange cash Grade A copper fell most of Friday's rise with a \$10 fall to \$287 a tonne.

NEW YORK

ALUMINIUM 42,000 lb. cents/lb

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GOLD AND PLATINUM CENTS

Table with columns: Month, Price, Change.

Vegetable oils, the word is spreading

SOME YEARS ago I visited China with a party of British farmers, one of whom was a well known dairyman who seemed to think he had a mission to improve the health of the world by inducing the population in general and the children in particular to consume more milk, butter and cheese. As part of the tour we visited a neighbourhood clinic and kindergarten in Peking. There we were much impressed by the children who like all we saw in China, were models of health and vitality.

The dairyman asked the lady in charge how much milk her charges were given. "Milk," she replied, "have you not heard of cholesterol in the West?" There is in fact very little scope at present for dairying in modern China but these children, and the rest of the population, do seem to keep fit on the fats and proteins contained in soya and other oil producing plants.

Quite a few in the West have taken to heart warnings about the dangers of milk products and generally speaking consumption of whole milk and butter has been giving way to margarine and other spreads, together with an increasing consumption of fat reduced milk. It is probable that this trend will continue, assisted by the rapidly increasing output of vegetable oils, the consumption of which can be controlled by manufacturing.

There is also the question of price. The EEC price of butter is set at about double the price of margarine. The disparity is likely to get a great deal wider in the future as production of vegetable oil is increasing fast and the price is falling.

There are vegetable oil plants of Western aid to the third world has been the establishment of palm oil plantations and spectacular results have been achieved, particularly in breeding techniques used in the oil palm, readily lends itself to the use of fertilisers.

The most important individual oilseed is the soyabean, which is widely cultivated in North America, Brazil and in many parts of the temperate and sub-tropical belt because it will tolerate a wide spread of climatic conditions. It is easily farmed under modern extensive systems and being a legume, fits in well with a cereal rotation. Its oil content is about 17 per cent but the meal produced after crushing is a high-protein feed which can be fed to almost every class of livestock. At times the meal is more important financially than the oil produced.

Of the tropical producers the oil and coconut palms are the main plantation crops with groundnuts as the product of cultivated land. Total oil seed production has been rising steadily over the last 25 years and will increase further as new plantations in Malaysia and other tropical countries are brought into bearing. For many years one of the features

of the tropical producers the oil and coconut palms are the main plantation crops with groundnuts as the product of cultivated land. Total oil seed production has been rising steadily over the last 25 years and will increase further as new plantations in Malaysia and other tropical countries are brought into bearing. For many years one of the features

the butter making process is skimmed milk powder which is an excellent animal feed. But because of market pressures the price has risen and there are now nearly 1m tonnes of it in intervention stores.

The intervention price for skimmed milk powder is £1,076 per tonne which is right out of the reckoning for most animals and probably explains why the price for soyabean meal which, I consider equally satisfactory for pig feeding, is well under £150 per tonne and fish meal at about £270.

Looking at this situation as a farmer I would think that dairy farming except for producing liquid milk is going to face even more pressure than the EEC. There are already some dairy interests demanding restrictions on the importation of vegetable fats but to concede these would be to fly in the face of a large sector of medical wisdom which does seem to be against dairy products.

In economic terms it does look as though in a straight competitive situation vegetable fats would have the advantage of being manufactured directly from the harvested seeds into the desired products while milk has to pass through the metabolism of a cow to be transformed to the final product which again would have to be manufactured into butter for sale to the consumer. Dairying is going to be in difficulties for a long time to come.

As a footnote it is worth pointing out that the crushing subsidy needed to make UK oilseeds competitive with imports is £185 (£253) per tonne. How long will it be before there is a mountain of rape seed and other oil seeds in the Community?



FARMER'S VIEWPOINT By John Cherrington

Table with columns: Crop, Yield (t/ha), Protein (%), Fat (%).

Source: International Monetary Fund

and to irrigate and in the predictable tropical climates that are turned into an industrial crop.

All this is bad news for the world's dairying countries, the EEC, New Zealand and the US being the principal producers and exporters. Set against a total world production of 7.2m tonnes of factory butter total output of vegetable oil is now over 43.3m tonnes. Most of these oils can be used for both industrial and food purposes and can be adapted to almost every taste. They are so very much cheaper than butter.

But this is only one side of the equation. The by-product of

HEATING OIL

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SUGAR

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WHEAT

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CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Pound weak on lower oil prices

Sterling fell sharply against the dollar and leading European currencies yesterday, reflecting a further decline in oil prices.

£ IN NEW YORK

Table with columns: Bid, Ask, Prev. Close, % Change. Includes data for 1 month, 3 months, 6 months, 12 months.

Treasury Secretary has stated that this year's growth figures would have to be downgraded from the earlier 4 per cent estimate.

The US unit fell back from the day's highs in late trading to finish at DM 2.1795 from DM 2.1880 and ¥160.25 from ¥161.15.

Against the DM the dollar fell to DM 2.2775 from DM 2.2825 on Friday. Its record closing low was DM 2.300 on March 3.

The dollar initially derived some short-term support from a position covering but remained within its recent trading range.

Most dealers were convinced that the dollar would not find sufficient impetus to break through its upper resistance levels against a very bearish undercurrent.

Further US economic data are due for release this week in the run up to next week's second quarter GNP figures.

Already Mr James Baker, US Secretary of State, said that the Deutsche Mark was a little weaker against the dollar with trading volume on the low side.

Once again the dollar lacked sufficient impetus to break out of its recent trading range and there was speculation that as technical support derived from short covering slowly displaced so the dollar would react to a sluggish economy and lose ground.

The dollar was fixed at DM 2.1910 after DM 2.1924 and there was an intervention by the Bundesbank. It closed at DM 2.1870 from DM 2.1795 on Friday.

JAPANESE YEN -- Trading range against the dollar in 1986 is 202.70 to 161.50. June average 187.50. Exchange rate index 212.6 against 1984 six months average.

The yen finished slightly weaker in Tokyo yesterday but well up from the day's lows. The US dollar had continued on a firmer note as oil prices fell.

Lowering pushed it to a high of ¥162.50. However, selling developed at this level and the dollar was unable to muster sufficient impetus to push through this resistance point.

Consequently it eased back to close at ¥162.15 compared with ¥161.15 in New York and ¥160.25 in Tokyo on Friday.

Despite the short-term demand, many dealers still expected the dollar to ease in the longer term in reaction to poor economic data.

FINANCIAL FUTURES

Sharp fall

Sterling prices fell sharply in the London International Financial Futures Exchange yesterday. Sentiment was influenced by sterling's sudden decline as the market reacted to weaker oil prices.

Table with columns: Bid, Ask, Prev. Close, % Change. Includes data for 1 month, 3 months, 6 months, 12 months.

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Most dealers were convinced that the dollar would not find sufficient impetus to break through its upper resistance levels against a very bearish undercurrent.

Further US economic data are due for release this week in the run up to next week's second quarter GNP figures.

Already Mr James Baker, US Secretary of State, said that the Deutsche Mark was a little weaker against the dollar with trading volume on the low side.

Once again the dollar lacked sufficient impetus to break out of its recent trading range and there was speculation that as technical support derived from short covering slowly displaced so the dollar would react to a sluggish economy and lose ground.

The dollar was fixed at DM 2.1910 after DM 2.1924 and there was an intervention by the Bundesbank. It closed at DM 2.1870 from DM 2.1795 on Friday.

JAPANESE YEN -- Trading range against the dollar in 1986 is 202.70 to 161.50. June average 187.50. Exchange rate index 212.6 against 1984 six months average.

The yen finished slightly weaker in Tokyo yesterday but well up from the day's lows. The US dollar had continued on a firmer note as oil prices fell.

Lowering pushed it to a high of ¥162.50. However, selling developed at this level and the dollar was unable to muster sufficient impetus to push through this resistance point.

Consequently it eased back to close at ¥162.15 compared with ¥161.15 in New York and ¥160.25 in Tokyo on Friday.

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Oil prices were sold in heavy volume, falling to pain support from US bond auctions from closing at the day's low by a little late short covering.

The September price opened at 90.30 down from 90.65 and was sold initially down to 90.27 before short covering took it briefly to 90.31.

From then on sellers gained the upper hand and the price fell to a low of 89.14 as the pound declined. It finished at 90.17.

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POUND SPOT - FORWARD AGAINST POUND

Table with columns: Bid, Ask, Prev. Close, % Change. Includes data for 1 month, 3 months, 6 months, 12 months.

DOLLAR SPOT - FORWARD AGAINST DOLLAR

Table with columns: Bid, Ask, Prev. Close, % Change. Includes data for 1 month, 3 months, 6 months, 12 months.

EXCHANGE RATES

Table with columns: Bid, Ask, Prev. Close, % Change. Includes data for various currencies like UK, Ireland, Belgium, etc.

EURO-CURRENCY INTEREST RATES

Table with columns: Bid, Ask, Prev. Close, % Change. Includes data for various Euro-currency rates.

MONEY MARKETS

Sterling's fall reverses sentiment

Interest rates rose in London yesterday, reversing Friday's earlier tone and once again raising hopes of an early rate rise.

Three-month interbank money was quoted at 9 1/4-10 1/4 per cent up from 9 1/4-10 1/4 per cent on Friday.

The Bank of England forecast a shortage of around £200m with factors affecting the market including maturing Treasury bills.

The shortage was later revised to around £300m and the Bank gave assistance of £100m through outright purchases of eligible bank bills.

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CURRENCY MOVEMENTS

Table with columns: Bid, Ask, Prev. Close, % Change. Includes data for various currencies like Sterling, Canadian dollar, etc.

CURRENCY RATES

Table with columns: Bid, Ask, Prev. Close, % Change. Includes data for various currency rates.

STERLING INDEX

Table with columns: Bid, Ask, Prev. Close, % Change. Includes data for Sterling index.

EMS EUROPEAN CURRENCY UNIT RATES

Table with columns: Bid, Ask, Prev. Close, % Change. Includes data for EMS currency unit rates.

FT LONDON INTERBANK FIXING

Table with columns: Bid, Ask, Prev. Close, % Change. Includes data for FT London interbank fixing.

NEW YORK RATES

Table with columns: Bid, Ask, Prev. Close, % Change. Includes data for New York rates.

LONDON MONEY RATES

Table with columns: Bid, Ask, Prev. Close, % Change. Includes data for London money rates.

Treasury Bills (sell): one-month 9 1/4 per cent, three months 9 1/4 per cent, six months 9 1/4 per cent, one year 9 1/4 per cent.

LIFFE LONG GILT FUTURES OPTIONS

Table with columns: Bid, Ask, Prev. Close, % Change. Includes data for Liffe Long Gilt futures options.

LIFFE EURO-DOLLAR OPTIONS

Table with columns: Bid, Ask, Prev. Close, % Change. Includes data for Liffe Euro-Dollar options.

LIFFE 100 INDEX

Table with columns: Bid, Ask, Prev. Close, % Change. Includes data for Liffe 100 index.

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Weighty Matters advertisement featuring a pen and promotional gifts like key rings, cuff links, and medallions.

Company Notices advertisement for Charter Consolidated PLC, including details of an annual general meeting.

World Value of the Pound table showing exchange rates for various countries and currencies.

Table with columns for 'BRITISH FUNDS' and 'AMERICANS - Cont.'. It lists various investment funds with their respective prices and performance metrics.

Table with columns for 'CANADIANS', 'BANKS, HP & LEASING', 'INT. BANK AND O'SEAS GOVT. STERLING ISSUES', 'CORPORATION LOANS', 'COMMONWEALTH & AFRICAN LOANS', and 'Public Board and Ind.'. It covers a wide range of financial instruments and bank-related data.

Table with columns for 'BEERS, WINES & SPIRITS', 'FOREIGN BONDS & RAILS', and 'AMERICANS'. It includes data on various commodities, international bonds, and American market indicators.

LONDON SHARE SERVICE

Table with columns for 'BUILDING, TIMBER, ROADS - Cont.' and 'DRAPERY & STORES - Cont.'. It lists prices for various construction materials and retail goods.

Table with columns for 'CHEMICALS, PLASTICS' and 'GRAPERY AND STORES'. It provides market data for chemical products and other retail items.

Table with columns for 'HOTELS AND CATERERS' and 'INDUSTRIALS (Misc.)'. It covers the hospitality sector and a variety of industrial companies.

Table with columns for 'ENGINEERING' and 'INDUSTRIALS (Cont.)'. It lists prices for engineering services and other industrial products.

ENGINEERING - Continued

Table with columns for 'ENGINEERING - Continued'. It continues the list of engineering-related companies and their stock prices.

Table with columns for 'INDUSTRIALS - Continued'. It continues the list of industrial companies and their stock prices.

Table with columns for 'INDUSTRIALS (Cont.)'. It continues the list of industrial companies and their stock prices.

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WORLD STOCK MARKETS

Table of stock market data for various countries including Austria, Germany, Norway, Australia, Japan, Canada, Hong Kong, Singapore, and South Africa. Columns include stock names, prices, and changes.

Table of stock market data for Canada, Toronto, listing various stocks and their prices.

Table of stock market data for Singapore and South Africa, listing various stocks and their prices.

Table of stock market data for various countries including Australia, Germany, Norway, Australia, Japan, Canada, Hong Kong, Singapore, and South Africa. Columns include stock names, prices, and changes.

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OVER-THE-COUNTER

Table of over-the-counter stock market data, listing various stocks and their prices.

NEW YORK

Table of New York stock market data, listing various stocks and their prices.

Indices

Table of stock market indices for various countries, including Australia, Austria, Belgium, Denmark, France, Germany, Hong Kong, Italy, Japan, Korea, Netherlands, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, and Taiwan.

LONDON

Table of London stock market data, listing various stocks and their prices.

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Advertisement for Financial Times, highlighting morning delivery and subscription information.

Advertisement for Financial Times, Europe's Business Newspaper, in Madrid, featuring subscription details.

Advertisement for Istanbul Special Subscription Hand Delivery Service, featuring the DUNYA newspaper.

Prices at 3pm, July 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Main table containing stock prices for various companies, organized by sector and listing details such as stock name, price, and volume.

Kidder, Peabody International Limited

International Investment Bankers

An affiliate of Kidder, Peabody & Co. Incorporated

Founded 1865 New York • London • Paris • Geneva • Zurich • Hong Kong • Tokyo

Continued on Page 45

NYSE COMPOSITE PRICES

AMEX COMPOSITE PRICES

Prices at 3pm, July 14

Table of NYSE Composite Prices. Columns include 12 Month High/Low, Stock Name, Price, % Change, and Volume. Includes sub-sections like 'Continued from Page 44' and 'P O S S'.

Table of AMEX Composite Prices. Columns include 12 Month High/Low, Stock Name, Price, % Change, and Volume. Includes sub-sections like 'D D', 'E E', 'F F', 'G G', 'H H', 'I I', 'J J', 'K K', 'L L', 'M M', 'N N', 'O O', 'P P', 'Q Q', 'R R', 'S S', 'T T', 'U U', 'V V', 'W W', 'X X', 'Y Y', 'Z Z'.

OVER-THE-COUNTER Nasdaq national market, 2.30pm prices

Table of Over-the-Counter prices. Columns include Stock Name, Price, % Change, and Volume. Includes sub-sections like 'A A', 'B B', 'C C', 'D D', 'E E', 'F F', 'G G', 'H H', 'I I', 'J J', 'K K', 'L L', 'M M', 'N N', 'O O', 'P P', 'Q Q', 'R R', 'S S', 'T T', 'U U', 'V V', 'W W', 'X X', 'Y Y', 'Z Z'.

Continued on Page 43

FINANCIAL TIMES

WORLD STOCK MARKETS

WALL STREET

Sour start to reporting season

THE CORPORATE reporting season started the week on a sour note as Wall Street recoiled swiftly yesterday at poor results from market bellwether IBM, writes Paul Hannon in New York.

Disappointment with IBM's results unsettled sentiment, despite the cut in the prime rate on Friday by the leading banks, although the bond market firmed with gains of up to a ½ point among key issues.

At 3pm the Dow Jones industrial average was down 23.77 at 1,797.66.

The unexpected poor second-quarter showing by IBM, which retreated \$2½ to \$141 in heavy volume, prompted a broad retreat among high technology stocks initially and the wider market later.

NCR dropped 1½ to \$50½ despite its higher second-quarter figures, Digital Equipment weakened \$1½ to \$87, closely followed by Hewlett Packard's 5½ fall to \$88. Cray Research traded \$2½ lower to \$88.

Among other blue chips, GM lost \$½ to \$75 on its intention to cut capital spending for the next few years. ITT retreated

\$1¼ to \$55½ and GE slipped \$¼ to \$78 after announcing plans to restructure its turbine business.

A batch of figures in the banking sector did little to bolster confidence. A surge in six-month earnings for J.P. Morgan had little impact as the stock eased \$1¼ to \$85½. First Chicago, also reporting higher results, held unchanged at \$30½. Chase Manhattan managed to trade steady at \$40½ in thin volume on higher earnings. Chemical New York's poorer second-quarter results prompted it to fall \$1 to \$47½.

Ford led the Detroit car makers with its \$1¼ advance to \$53½, while Chrysler dipped \$¼ to \$33½. American Motors was unchanged at \$4¼. Car components group Dana Corp dropped \$¼ to \$31¼ on weaker second-quarter profits, despite higher sales.

Other features included heavy trading in Safeway Stores after last week's bid by Dart Group. Safeway dipped \$1¼ to \$55½.

PepsiCo declined \$1¼ to \$40½ in active trading on its plan to purchase the international operations of Seven-Up from Philip Morris for \$246m. Philip Morris edged \$½ lower to \$72½. Coca-Cola lost \$1 to \$40½.

NL Industries, the diversified petroleum services group, added \$¼ to \$15½ after the board rejected as inadequate the tender offer made by an affiliate of Mr Harold Simmons.

Texas Eastern, the gas pipeline group, dropped \$3¼ to \$30½ on accounting changes that will cut year-end earnings by \$139m. Panhandle Eastern firmed \$¼ to \$6½ in heavy trading.

Singer fell \$1¼ to \$57½ as the group forecast a \$4m loss for the second quarter due to write-offs.

Sherwin-Williams, the large US paint-maker, slipped \$¼ to \$25½ on second-quarter figures and in reaction to last week's announcement that it hoped to sell its drug stores subsidiary.

Loral, the defence contractor, moved against the trend with its \$1¼ gain to \$46 despite losing out to Lockheed in the race to buy Sanders Associates. Lockheed was steady at \$51½ and Sanders dipped \$¼ to \$61½.

Zenith Laboratories the pharmaceuticals group, lost \$1¼ to \$13 following weekend press comment, while Abbott Laboratories dipped \$1 to \$50 in moderate turnover.

Entertainment group Walt Disney slipped \$1¼ to \$48½ despite recent broker recommendations.

On the American Stock Exchange, Wickes was unchanged at \$5½ in heavy turnover, while Wang Laboratories edged \$½ higher to \$13½. Profit-takers trimmed some of Harley Davidson's gains of last week with a \$1 drop to \$12½. Restaurant group Horn & Hardart lost \$¾ to \$12½.

In the bond market, prices opened lower with many operators keeping a watchful eye on the dollar's exchange rate. The Treasury's key long bond, the 7¼ of 2016, reversed early losses to trade ½ higher at 101½, yielding 7.14 per cent. The 7¼ of 1996 rose ¼ to 100½ to yield 7.24 per cent.

Federal funds opened at 6½ and remained pegged at this level for most of the session. The Federal Reserve also announced three-day system repurchases.

Rates on Treasury bills were mixed with the three-month issue up four basis points to 5.79 per cent and the six-month issue up one basis point to 5.82 per cent. The 12-month bill was unchanged at 5.83 per cent.

This trading among municipals left most prices at or near their closing Friday level.

LONDON

WORRIES about sterling dominated London yesterday. A further setback for the pound against other major currencies and a fresh slide in spot crude prices sent gilt and blue-chip industrials into retreat.

The FT Ordinary index closed 27.4 down at 1,309.9, while the more broadly-based FT-SE share index dipped 28.1 to 1,597.3.

The first day of the new account in the equity sectors saw buyers going to ground amid the uncertainty and leading issues moved progressively lower on occasional nervous offerings.

Despite the surrounding gloom there were still some good rises, mainly on takeover speculation, while weekend press comment also resulted in several good gains.

Chief price changes, Page 43; Details, Page 42; Share information service, Page 40-41

SINGAPORE

SHORT COVERING and bargain hunting saw Singapore close generally higher in quiet activity with some late profit-taking well absorbed. The Straits Times industrial index rose 7.39 to 739.40.

In the absence of fresh factors, some interest in blue chips and quality stocks, together with purchases of selected trustee stocks by Central Provident Fund account holders, helped prices to rise.

Some dealers said that official estimates for the country's GDP, announced at the weekend, which put it at 4 per cent instead of the previous 1.6 to 2 per cent, also boosted the market.

Time Darby added 3 cents to S\$1.45, while Singapore Airlines gained 5 cents to S\$7.35 and Malay Banking 8 cents to S\$3.72.

SOUTH AFRICA

A WEAKER RAND combined with a relatively steady bullion price to give gold shares a slight boost in Johannesburg. Vaal Reef ended R8 higher at R242 while Harmony, which announced higher profits, put on R1 to R34.50 and Lorraine 60 cents to R13.85.

Platinum, diamonds and mining financials also firmed. Impala added R1.40 to R40, De Beers 55 cents to R30.75 and Amgold R7 to R249.

Other minings were little changed and industrials mixed.

AUSTRALIA

PROFIT-TAKING among quality industrial issues and a weaker BHP led Sydney to close easier where the All Ordinaries index ended 2.8 lower at 1,137.0.

BHP, the market leader, lost 18 cents to A\$8.08 in the wake of lower-than-expected annual profits. Elders DXL gained 11 cents to A\$5.06 mainly on takeover speculation which was fuelled by the sale of 2m Elders DXL shares at A\$5.05 by Sydney-based brokers Ord Minnett.

Industrial stocks were marginally easier, Amatil lost 10 cents to A\$7.40, while Adstream put on 20 cents to A\$11.50.

In finance stocks, FAI lost 10 cents to A\$7.60 and NZI five to A\$1.50.

CANADA

MOST MAJOR share groups in Toronto joined a retreat prompted by losses on Wall Street.

Industrials dragged prices down while blue chips dominated active. Canadian Pacific lost C\$¼ to trade at C\$16¼, Northern Telecom dropped C\$¼ to C\$39¼ and International Thomson slipped C\$¼ to C\$11¼. Against the trend Bank of Nova Scotia added C\$¼ to C\$16.

Montreal was also lower.

EUROPE

A new sense of direction is awaited

A LACKLUSTRE performance was turned in by many of the European bourses yesterday with investors apparently bemused and awaiting a new sense of direction from Wall Street.

Frankfurt was mixed in light trade. Some demand emerged for export stocks in response to a firmer dollar but this was balanced by profit-taking in response to last week's strong advance. The Commerzbank index fell 8.8 to 1,875.8.

Motor and chemicals issues benefited from the stronger US currency. Daimler Benz advanced DM 13 to DM 1,335, while BMW put on DM 4 to DM 576 and Volkswagen was DM 2.80 higher at DM 488.80.

In the chemicals sector, Hoechst edged DM 1 ahead to DM 259.50 and Bayer 80 ptg to DM 286.30.

RASF put on 70 ptg to DM 258.90. It plans to sell its Frankfurt based printing ink subsidiary, Hartmann Druckfarben, to Japan's Dainippon Ink and Chemicals, in return for West German cartel office approval for its purchase of Inmont Corporation in the US.

Profit-taking took the banks lower. Dresdner shed DM 4 to DM 408.70, Commerzbank DM 3.50 to DM 299 and Deutsche 50 ptg to DM 759.50. Among mixed store shares, Kaufhof firmed DM 4 to DM 458 but Karstadt was DM 3 lower at DM 368.

Bond prices slipped back after a very quiet session. Foreign investors remained virtually absent from a market where dealers have decided that last week's half point cut in the US discount rate was disappointing and ineffective.

The Bundesbank bought DM 7.1m of domestic paper to balance the market after sales totalling DM 20.3m last Friday.

Amsterdam was also mixed as the new, centre-right coalition cabinet agreed on a strict timetable for cutting the state financing deficit.

Philips advanced 20 cents to Fl 51.50, with the 22 per cent second-quarter decline in the operating profit of its North American operations proving not as bad as some investors had feared.

Other internationals were mostly lower. Akzo shed Fl 2.30 to Fl 165.30 and Royal Dutch Fl 2.20 to Fl 50.50, while KLM was 60 cents easier at Fl 46.30.

Most insurers were easier but Publisher VNU moved against the trend with a Fl 3 rise to Fl 340.

Bond prices were little changed in very quiet trade.

Investors in Brussels were left on the sidelines by a newspaper report quoting Mr Philippe Maystadt, the economic affairs minister, who said that Government plans to save Bfr 30bn from its 1987 budget through a renegotiation of its internal debt must involve real sacrifice by Belgian banks and other institutional lenders.

Utilities - always sensitive to political trends - turned lower with Intercom down Bfr 100 at Bfr 3,810.

Among holding companies, Groupe Bruxelles Lambert fell Bfr 5 to Bfr 3,185 in heavy volume. The activity was attributed to the company's issue of bonds with warrants carrying a higher yield than the dividend on GBL stock.

A cautious approach was made in Zurich. Volume was very low with the only notable activity in the banking sector.

Bank Leu put on Sfr 25 to Sfr 2,750 and Dow Banking Sfr 40 to Sfr 1,580.

In pre-bourse dealings, the newly launched Merck stock rose Sfr 40 from its issue price to Sfr 640.

Stockholm and Oslo both managed to end marginally firmer, despite a marked absence of investor enthusiasm.

Milan was sharply down amid book-selling at the end of the bourse month and Madrid was easier in quiet trade. Paris markets were closed for a public holiday.

HONG KONG

LATE BARGAIN hunting sent prices sharply higher in moderately active Hong Kong trading and the Hang Seng index closed up 18.24 at 1,739.93.

Rumours that Hongkong Land planned a corporate announcement also pushed prices higher. The statement that the company is considering transferring its food and trading division to shareholders came after the market had closed. The shares ended 20 cents higher at HK\$5.9.

Brokers said selling by overseas institutions took prices lower early in the session but local investors moved in later, buying mainly properties and utilities.

China Gas rose 60 cents to HK\$15.9, China Light added 10 cents at HK\$14.9, while Hang Seng Bank shed 25 cents to HK\$3.75.

TOKYO

Rate hopes spur trip to peaks

FRESH RECORDS were set in heavy Tokyo trading amid expectations of a further easing in Japan's monetary policy after the US discount rate cut late last week, writes Shigeo Nishiwaki of Jiji Press.

The Nikkei stock average advanced 149.79 to 17,820.56, eclipsing the previous high of 17,734.15 registered on July 8. Volume shrank from Friday's 1.42bn shares, but was still large at 1.18bn shares. Gains outpaced losses by 551 to 311, with 124 issues unchanged.

Many institutional investors traded in low-priced, large-capital issues in large lots of 10m shares in anticipation of a fourth cut this year in Japan's official discount rate.

Nippon Steel remained top of the active list for the third straight session with 158.37m shares, adding Y4 to Y197. Next was Kawasaki Steel, which rose Y5 to Y209 on trading of 153.59m shares. Nippon Kokan, third on 88.73m shares, finished Y2 higher at Y228, while Ishikawajima-Harima Heavy Industries gained Y4 to Y356.

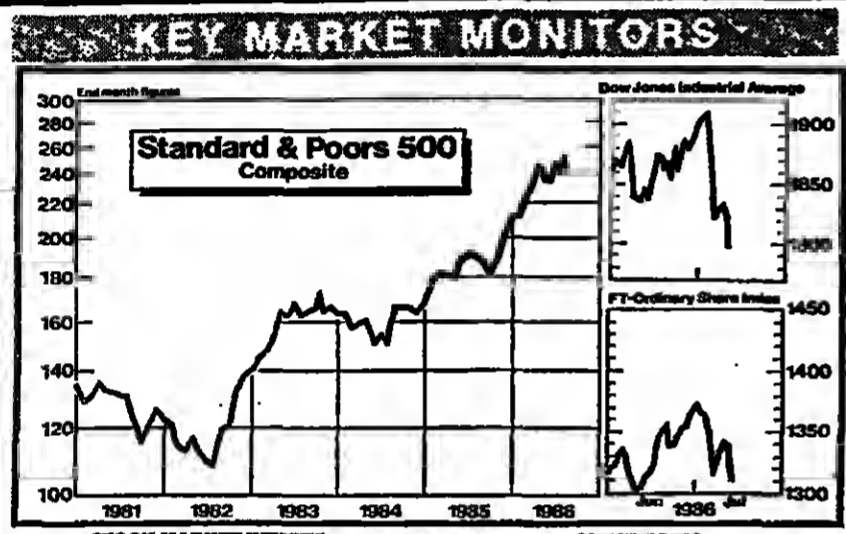
Toshiba advanced Y17 to Y459, on a report that the company would link with IBM Japan, to sell computers.

Investors also sought real estate, non-life insurance and railway stocks, whose prices have fallen from the highs scored in March. Mitsubishi Estate was the busiest among them, spurring Y50 to a record Y2,390.

Tokio Marine and Fire Insurance advanced Y70 to Y1,430 and Taisho Marine and Fire Insurance Y58 to Y874. Toho Railway gained Y60 to Y650, Keisei Electric Railway Y35 to Y580 and Keio Teito Electric Railway Y34 to Y669.

Bond prices declined in slow trading, mirroring the weakness of US bond prices in the wake of the discount rate reduction. Profit taking by brokerages and bank dealers hit the 8.2 per cent government bond due in July 1995, pushing its yield up to 4.785 per cent from Friday's 4.780 per cent.

Buying shifted to issues with similar maturities to the benchmark issue. The 6.8 per cent government bond maturing in December 1994 yielded 5.280 per cent.



STOCK MARKET INDICES	July 14	Previous	Year ago
DJ Industrials	1,797.66	1,821.43	1,339.80
DJ Transport	740.75	761.38	687.97
DJ Utilities	203.88	204.00	166.91
S&P Composite	238.57	242.22	183.29

LONDON	July 14	Previous	Year ago
FT Ord	1,309.9	1,337.3	937.2
FT-SE 100	1,597.3	1,626.4	1,230.6
FT-A All-share	794.28	805.36	599.08
FT-A 500	870.33	883.13	650.61
FT Gold mines	196.4	196.1	399.6
FT-A Long gilt	6.61	6.45	9.45

TOKYO	July 14	Previous	Year ago
Nikkei	17,820.56	17,670.77	12,839.5
Tokyo SE	1,385.90	1,375.15	1,048.36

AUSTRALIA	July 14	Previous	Year ago
All Ord.	1,137.1	1,139.9	908.6
Metals & Mins.	503.4	504.2	515.5

AUSTRIA	July 14	Previous	Year ago
Credit Aktien	n/a	259.44	98.40

BELGIUM	July 14	Previous	Year ago
Belgian SE	3,722.46	3,727.74	2,337.61

CANADA	July 14	Previous	Year ago
Toronto Metals & Mins	1,580.7	2,005.04	1,880
Composite	3,011.0	3,024.0	2,737.4
Montreal Portfolio	1,510.58	1,515.64	134.66

DENMARK	July 14	Previous	Year ago
SE	208.13	210.01	209.30

FRANCE	July 14	Previous	Year ago
CAC Gen	closed	374.10	219.8
Ind. Tendances	closed	143.3	81.2

WEST GERMANY	July 14	Previous	Year ago
FAZ-Aktien	622.90	625.03	475.49
Commerzbank	1,875.80	1,884.60	1,397.7

HONG KONG	July 14	Previous	Year ago
Hang Seng	1,739.93	1,721.69	1,615.78

ITALY	July 14	Previous	Year ago
Banca Comm.	657.61	689.95	349.15

NETHERLANDS	July 14	Previous	Year ago
ANP-CBS Gen	294.3	294.4	217.6
ANP-CBS Ind	293.3	293.7	184.5

NORWAY	July 14	Previous	Year ago
Oslo SE	355.41	345.39	325.79

SINGAPORE	July 14	Previous	Year ago
Straits Times	739.40	732.01	725.27

SOUTH AFRICA	July 14	Previous	Year ago
JSE Golds	-	1,248.2	952.6
JSE Industrials	-	1,192.8	1,034.6

SPAIN	July 14	Previous	Year ago
Madrid SE	173.22	174.09	61.25

SWEDEN	July 14	Previous	Year ago
J & P	2,500.59	2,498.01	1,324.74

SWITZERLAND	July 14	Previous	Year ago
Swiss Bank Ind	547.5	547.6	464.6

WORLD	July 11	Prev	Year ago
MS Capital Int'l	325.0	324.6	220.6

COMMODITIES	July 14	Prev	Year ago
Silver (spot fixing)	\$36.15p	\$34.15p	\$34.15p
Copper (cash)	\$867.00	\$893.00	\$893.00
Coffee (September)	\$1,873.50	\$1,873.50	\$1,873.50
Oil (Brent blend)	\$6.55	\$9.45	\$9.45

GOLD (per ounce)	July 14	Prev	Year ago
London	\$346.50	\$348.00	\$348.00
Zurich	\$346.70	\$348.10	\$348.10
Paris (fixing)	\$348.20	\$348.21	\$348.21
Luxembourg	\$348.40	\$347.80	\$347.80
New York (Aug)	\$346.40	\$347.80	\$347.80

CURRENCIES	July 14	Previous	July 10	Previous
(London)	US DOLLAR	1.4815	1.5090	1.4815
DM	2.1795	2.1880	2.2275	2.2265
Yen	163.25	161.95	227.50	242.75
SFR	7.0100	7.0225	10.3850	10.5675
SPV	1.7790	1.7880	2.6350	2.6800
Outlander	2.4570	2.4540	3.6400	3.6925
Lira	1.496	1.498	2.216.0	2.254.5
INR	44.90	44.85	66.50	67.50
C\$	1.3765	1.3775	2.0416	2.0759

INTEREST RATES	July 14	Prev
3-month offered rate	10%	10%
5%	4%	4%
10%	7%	7%

FT London Interbank Bid (offered rate)	July 14	Prev
3-month US\$	6 1/8%	6 1/8%
6-month US\$	6 1/8%	6 1/8%
US Fed Funds	7 1/4%	7 1/4%
US 3-month CDs	6.30	6.475
US 3-month T-bills	5.765	5.90

US BONDS	July 10	Prev	Yield
Treasury	Price	Yield	Price
7 1/8 1988	1		